

# **THE DISCOVERY FUND**

**(Sub-funds Discovery Balanced Fund, Discovery Growth Fund  
and Discovery Cautious Fund)**

**Annual Report and Financial Statements  
For the year ended 31 January 2023**

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## COMPANY OVERVIEW

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### **Type of Company:**

The Company is an investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000365. It is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes Sourcebook ("COLL") issued by the FCA. Each Sub-fund would be a UCITS scheme if they had separate authorisation orders.

The Company has currently three sub-funds available for investment, Discovery Balanced Fund, Discovery Growth Fund and Discovery Cautious Fund.

Shareholders are not liable for the debts of the Company.

A shareholder is not liable to make any further payment to the Company after they have paid the price on the purchase of the shares.

### **Changes to the Company:**

On 23 March 2022, there was a change in Investment Adviser from Wellian Investment Solutions Limited to Hawksmoor Investment Management Limited.

## STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S (ACD's) RESPONSIBILITIES

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The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company at the end of the financial year and its net revenue and net capital losses for the year. In preparing these financial statements the Authorised Corporate Director is required to:

- > comply with the Prospectus, the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements.
- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The Authorised Corporate Director is required to keep proper accounting records and to manage the Company in accordance with the COLL regulations, the Instrument of Incorporation, and the Prospectus. The Authorised Corporate Director is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DIRECTOR'S STATEMENT

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In accordance with the requirements of the Financial Conduct Authority's Collective Investment Scheme's Sourcebook, we hereby certify the annual report.

David Fraser FCCA



David E. Smith CA

Valu-Trac Investment Management Limited  
Authorised Corporate Director

Date:

31 May 2023

## STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS OF THE DISCOVERY FUND

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### For the year ended 31 January 2023

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), and the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed 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 in the Company is 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 Authorised Fund Manager ("the AFM") 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 Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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 AFM:

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and 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.

NatWest Trustee and Depositary Services Limited  
01 February 2023

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE DISCOVERY FUND (SUB-FUNDS DISCOVERY BALANCED FUND, DISCOVERY GROWTH FUND AND DISCOVERY CAUTIOUS FUND)**

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### **Opinion**

We have audited the financial statements of The Discovery Fund ("the Company") for the year ended 31 January 2023 which comprise the Statements of Total Return, Statements of Changes in Net Assets Attributable to Shareholders, Balance Sheets, the related Notes to the Financial Statements, including significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- > give a true and fair view of the financial position of the Company at 31 January 2023 and of the net revenue and the net capital losses on the scheme property of the Company for the year ended; and
- > have been properly prepared in accordance with the IA Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation.

### **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 described further in the auditor's responsibilities for the audit of the financial statements section of our report. 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions Relating to Going Concern**

In auditing the financial statements, we have concluded that the Authorised Corporate Director's 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 at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

### **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 Authorised Corporate Director 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 our 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 course of 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on Other Matters Prescribed by the COLL Regulations**

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

- > Proper accounting records for the Company have been kept and the accounts are in agreement with those records;
- > We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- > The information given in the report of the Authorised Corporate Director for the year is consistent with the financial statements.

### **Responsibilities of the Authorised Corporate Director**

As explained more fully in the Authorised Corporate Director's Responsibilities Statement set out on page 2, the Authorised Corporate Director 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 Authorised Corporate Director 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 Authorised Corporate Director 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 Authorised Corporate Director either intends to liquidate 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

### ***Extent to which the audit is 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 material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- > UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 and the IA Statement of Recommended Practice for Authorised Funds
- > the Financial Conduct Authority's Collective Investment Schemes Sourcebook
- > the Company's Prospectus

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of the Authorised Corporate Director. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and the Company's breaches register.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how the Authorised Corporate Director was remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how the Authorised Corporate Director oversees the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- > management override of controls;
- > the completeness and classification of special dividends between revenue and capital.

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

***Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)***

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- > Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Authorised Corporate Director in its calculation of accounting estimates for potential management bias;
  
- > Using a third-party independent data source to assess the completeness of the special dividend population and determining whether special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments;
- > Assessing the Company's compliance with the key requirements of the Collective Investment Schemes Sourcebook, and its Prospectus.
- > Completion of appropriate checklists and use of our experience to assess the Company's compliance with the IA Statement of Recommended Practice for Authorised Funds; and
- > Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

**Use of Our Report**

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

Johnston Carmichael LLP  
Chartered Accountants  
Statutory Auditor  
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Date 31 May 2023

## ACCOUNTING POLICIES

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### For the year ended 31 January 2023

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

- (a) The financial statements have been prepared in accordance with FRS 102, the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and the amendments to the SORP issued by the IA in June 2017. The functional currency is Sterling.
- (b) There are no material events that have been identified that may cast significant doubt about the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.
- (c) All expenses, other than those relating to the purchase and sale of investments, are charged to revenue on an accruals basis. For Discovery Balanced Fund and Discovery Cautious Fund, all expenses are then reallocated to capital, net of any tax effect for distribution purposes.
- (d) Distributions on equities and collectives are recognised when the security is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis. Rebates received from the Investment adviser are accrued and allocated to revenue. For Discovery Balanced Fund and Discovery Cautious Fund, Investment adviser rebates are then reallocated to capital, net of any tax effect for distribution purposes. Rebates from underlying holdings are allocated to capital.
- (e) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Sub-fund, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.
- (f) Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case. Where the receipt of a special dividend results in a significant reduction in the capital value or where the distribution arises from an underlying capital event such as a merger or disposal these would typically be deemed as capital so as to ensure that the matching principle is applied to gains and losses. Otherwise, the special dividend would typically be recognised as revenue. Where special dividends are treated as revenue, they are included in the amount available for distribution. The tax accounting treatment follows the principal amount. Equalisation on distributions from collectives is treated as capital. All equalisation on distributions from collectives is then reallocated to revenue, for distribution purposes.
- (g) The listed investments of the Sub-funds have been valued at bid market prices at the closing valuation point at 12 noon on 31 January 2023. Unlisted collectives are valued at the closing bid price for dual-priced funds and the closing single price for single priced funds.
- (h) All transactions in foreign currencies are converted into Sterling at the rate of exchange ruling at the dates of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point on 31 January 2023.
- (i) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax.  
  
Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.
- (j) In certain circumstances the ACD may charge a dilution levy on the sale or repurchase of shares. The levy, which is paid into the Sub-funds, is intended to cover certain charges not included in the bid market value of the Sub-funds, used in calculating the share price, which could have a diluting effect on the performance of the Sub-funds.

## ACCOUNTING POLICIES (Continued)

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### 1 Accounting policies (Continued)

- (k) The Sub-funds currently issues Accumulation & Income shares. Discovery Balanced Fund and Discovery Cautious Fund go ex dividend quarterly and Discovery Growth goes ex dividend annually. The Sub-funds pay any income available to the shareholder two months in arrears, as a dividend distribution. Any revenue deficit at the year end is funded from capital.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Sub-fund (or if it no longer exists the ACD). Application to claim distributions that have not been paid should be made to the ACD before this six year period has elapsed.

For the treatment of expenses revert to policy 'c' and special dividends and equalisation on distributions from collectives revert to policy 'f'.

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. 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.

## SUB-FUND OVERVIEW

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<b>Name of Sub-fund</b>	Discovery Balanced Fund
<b>Size of Sub-fund</b>	£94,545,657
<b>Launch date</b>	21 March 2005
<b>Sub-fund objective and policy</b>	<p>The objective of the Sub-fund is to provide returns through a combination of capital growth and income over a market cycle (5 years).</p> <p>The Sub-fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) to a range of eligible assets such as transferable securities (shares (including investment trusts), debentures, government and public securities, warrants or certificates representing certain securities), money market instruments, deposits, cash, property and commodities to provide diversification. The Sub-fund may also invest directly in such eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.</p> <p>The Sub-fund will be constructed based on the Investment Manager's assessment of the broader economic outlook as well as the absolute and relative attractiveness of different asset classes. This analysis, combined with the view on the potential risk profile and relative risk-adjusted returns of asset classes will determine the current asset allocation of the Sub-fund.</p> <p>Typically, the Sub-fund is likely to have a balanced exposure to underlying equities and commodities, on the one hand, and underlying cash, fixed interest and property assets on the other.</p> <p>The Investment Manager will use a wide range of assets and asset classes to provide a diversified investment approach and will actively alter the weights of the component parts where necessary with a view to achieving the investment objective. The Sub-fund might have the ability to be fully invested in one class of asset, but in reality, due to creating a diversified investment solution, it will be exposed to numerous managers, geographies, asset classes and styles.</p>
<b>Benchmark</b>	<p>The Sub-fund is not managed to or constrained by a benchmark, and nor does the ACD use a benchmark in order to assess performance.</p> <p>However, many funds sold in the UK are grouped into sectors by the Investment Association (the "IA") (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.</p> <p>In order to assess the Sub-fund's performance, investors may find it useful to compare the Sub-fund against the performance of the IA Mixed Investment 40-85% Shares, which serves as a method of comparing the Sub-fund's performance with other funds which have broadly similar characteristics.</p>
<b>Authorised Corporate Director (ACD)</b>	Valu-Trac Investment Management Limited
<b>Ex-distribution dates</b>	31 January, 30 April, 31 July and 31 October
<b>Distribution dates</b>	31 March, 30 June, 30 September and 31 December
<b>Individual Savings Account (ISA)</b>	The Sub-fund is a qualifying investment for inclusion in an ISA.

**SUB-FUND OVERVIEW (Continued)****Share class information**

Share class	Minimum initial subscription	Minimum subsequent investment	Minimum holding	Monthly savings available	Minimum redemption	Initial charge
<b>A Sterling Net Income</b>	£3,000	£1,000	£3,000	Yes	£1,000	5%
<b>B Sterling Net Income</b>	£3,000	£1,000	£3,000	Yes	£1,000	0%
<b>C Sterling Net Income*</b>	£5,000,000	£500,000	£5,000,000	Yes	£500,000	0%
<b>A Sterling Net Accumulation</b>	£3,000	£1,000	£3,000	Yes	£1,000	5%
<b>B Sterling Net Accumulation</b>	£3,000	£1,000	£3,000	Yes	£1,000	0%
<b>C Sterling Net Accumulation*</b>	£5,000,000	£500,000	£5,000,000	Yes	£500,000	0%
<b>US \$ Net Accumulation</b>	\$5,000	\$1,500	\$5,000	Yes	\$1,500	5%
<b>Euro Net Accumulation</b>	€ 5,000	€ 1,500	€ 5,000	Yes	€ 1,500	5%

\* C Class shares are available only to investors with a separate arrangement with the ACD or the investment adviser.

**Annual management charges**

The annual management charge is as follows £25,000<sup>^</sup> plus:

In respect of the A shares, it is equal to 1.45% per annum of the net asset value of the A shares.

In respect of the B shares, it is equal to 0.70% per annum of the net asset value of the B shares.

In respect of the C shares, it is equal to 0.40% per annum of the net asset value of the C shares.

In respect of the US \$ shares, it is equal to 1.55% per annum of the net asset value of the US \$ shares.

In respect of the Euro shares, it is equal to 1.55% per annum of the net asset value of the Euro shares.

<sup>^</sup>The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Prices Index) on 1 January each year (from 1 January 2020). In the event of negative inflation, the fixed element of the fee will remain unchanged.

**Investment adviser rebate**

The Investment Adviser of the Sub-fund had undertaken to absorb any costs that would otherwise cause the C shares to have ongoing charges in excess of 0.80%. This rebate arrangement ceased on 03 March 2023.

## INVESTMENT ADVISER'S REVIEW

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In the year to end of January 2023, the unit price of the Discovery Balanced Fund (as measured by the B Accumulation unit) fell by 4.38%, behind a generally accepted peer group average (which is an amalgam of “managed” investment funds that invest across the asset classes (such as equities, fixed income, commodities, alternative assets, property and so on) although the sector is limited to have between 40% and 85% of the assets in equities). The sector is known as the Mixed Investment 40% to 85% Shares which fell by 2.46% in the same period.

The portfolio is managed using the “fund of funds” approach which instead of investing directly in the shares or debt of companies such as Marks & Spencer, Apple, ITV, BMW, Sony, Proctor & Gamble, BP or any stock market listed company on any of the global stock exchanges, the manager invests in mutual funds – those offered by companies such as Invesco, PIMCO, Janus Henderson or abrdn. A typical “mutual fund” portfolio might contain shares of 50-100 underlying companies; a typical “fund of funds” portfolio might contain 15-30 funds. Therefore, do not be too concerned when looking at what looks like a relatively small “stock list”. In reality, a fund of funds portfolio is much more diversified than a typical mutual fund.

A great advantage of investing in a fund of funds portfolio is the benefit of diversification – each investment manager included in the fund can invest in different assets and asset classes – equity, debt, or property for instance. Further to this, the manager can dive deeper into different sub sectors – market capitalisation, term of debt, quality of debt, streams of income and so on which allows further diversification. Another advantage to this is “managing the manager” – the investment manager that runs a fund for Jupiter for example might be a “value” or a “growth” manager and adopt a different style to one from Ruffer. The role of a fund of funds manager is to balance and blend styles to deliver a portfolio that meets with the investment objectives.

The investment approach taken on the VT Discovery Balanced fund is broadly “buy and hold.” In normal circumstances, do not expect the portfolio activity to be excessive. Remember, the underlying holdings within the fund managed by Liontrust for instance might well be constantly changing; trying to double guess what the manager is double guessing what the market is going to do is not the goal.

The last few years, from an investment manager perspective, has been incredibly difficult to navigate. The effects of the global economy pretty much closing down due to Covid are still being felt (even though the virus was first acknowledged in December 2019 and parts of China are still in lockdown). The global reaction from governments all over the world through furlough schemes, grants and stimulus cheques for instance has created a massive wave of inflation and interest rates have had to rise – substantially – to offset this. If the last few years were hard, the next few years are likely to be just as challenging as the world re-balances and adjusts to alternate factors affecting the capital markets.

Due to the rapidly changing circumstances in global economies, a “crazy” (is there another more apt word) political and geopolitical environment and consequential capital market movements, there have been quite a few changes to the portfolio in the most recent twelve months. At the end of January 2022, the Discovery Balanced portfolio contained thirty-three investments. At the end of January 2023 this number fell to thirty one, but during the year the number varied between a minimum of twenty-nine and a maximum of thirty-five holdings. Seven new assets were introduced, and one asset was sold entirely and then rebought at much more favourable levels. Nine investments were redeemed entirely. This portfolio activity doesn't naturally feel “normal” as the approach taken in this mandate is to invest for the medium to long-term. But, when circumstances dictate and needs must, we are not afraid to take such a proactive stance to portfolio construction.

Most of the portfolio activity was at the fund “style” level and geographical distribution – for example the exposure to North America rose from 8.34% to 10.41% and the allocation to Europe fell to 4.29% from 6.27%. The table below shows the difference from an “asset class” standpoint over the year, with only marginal changes implemented.

<b>31/01/2022</b>		<b>31/01/2023</b>
<b>59.86%</b>	<b>Equity</b>	<b>60.95%</b>
<b>4.95%</b>	<b>Infrastructure</b>	<b>4.91%</b>
<b>23.40%</b>	<b>Fixed Income</b>	<b>23.24%</b>
<b>5.37%</b>	<b>Cash</b>	<b>5.01%</b>
<b>6.42%</b>	<b>Other</b>	<b>5.89%</b>

Other changes made during the year saw the entire removal of exposure to the “mixed – multi asset class” sector (which would fall into the “other” sector in the table above, international government bonds fell to 5.51% - down more than three percent, and domestic government bonds increasing by a similar amount to now represent 3.87%.

We believe the changes to the asset allocation, and the introduction of new holdings will set the portfolio in good stead looking forward and barring further significant political and/or economic upheaval we are confident portfolio activity going forward is likely to be more muted compared to the immediate aftermath of the covid-induced capital market panic.

**Outlook:**

It feels like the capital markets are entering a “transitionary” period. 2022 saw interest rates rise in the UK, the US, Europe and many other global Central Banks followed their lead. The pace of the rate rises was incredible, with the Bank of England increasing the base rate at every one of their meetings in the year. The reason was to offset the rapidly rising inflation numbers which hit double digits in the UK and the US. The main reasons the inflation numbers took off were due to ongoing spending after the huge stimulus give-away post covid and the rapid rise of energy bills due to Russia invading Ukraine. Although the speed of the increase started to slow towards the end of the year, the likelihood of a recession in the majority of the mature economies of the world is increasing.

It feels like the world is now pricing corporate profits differently and capital markets are reacting accordingly. In a low interest rate environment, the “discount rate” applied to company earnings and profits and prospects is different to operating in a higher interest rate environment. Inflation at 10% has very different economic impacts compared to a 2% number. Assuming inflation isn't going back to 2% any time soon, and interest rates aren't heading back to zero, the attractiveness of certain stocks and sectors change because of their capital structure, target markets and so on. This will impact different stocks and different stock markets in different ways. Large Cap Technology companies have already started laying off workers (with over 100,000 redundancies announced this year alone) for instance as the high growth experienced in the last couple of years witnessed from these companies is unlikely to repeat for the next couple of years and this is where the “transition” is occurring.

As interest rates rise, the attractiveness of cash and fixed income as asset classes in their own right become more appealing which puts greater pressure on equities in the fight for capital. In a year where both equities and fixed income both fell – and both fell significantly – the yields now available to fixed income investors do look very appealing. On a risk adjusted basis, don't be surprised if this asset class performs admirably in 2023.

24 February 2023  
Richard Philbin  
Chief Investment Officer (Solutions)  
Hawksmoor Investment Management Limited

## PERFORMANCE RECORD

### Financial Highlights

#### A Sterling Net Income

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	117.86	117.40	118.00
Return before operating charges	(3.99)	5.06	4.33
Operating charges (note 1)	(2.20)	(2.34)	(2.42)
Return after operating charges *	(6.19)	2.72	1.91
Distributions on income shares	(2.84)	(2.26)	(2.51)
Closing net asset value per share	108.83	117.86	117.40
*after direct transactions costs of:	-	-	0.01
Performance			
Return after charges	(5.25%)	2.31%	1.62%
Other information			
Closing net asset value	£663,281	£921,046	£1,009,342
Closing number of shares	609,466	781,468	859,772
Operating charges (note 2)	1.94%	1.99%	2.06%
Direct transaction costs	0.00%	0.00%	0.01%
Prices			
Highest share price	119.92	124.84	120.57
Lowest share price	101.72	116.77	93.77

#### B Sterling Net Income

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	127.33	125.86	125.56
Return before operating charges	(4.32)	5.46	4.61
Operating charges (note 1)	(1.46)	(1.57)	(1.65)
Return after operating charges *	(5.78)	3.89	2.96
Distributions on income shares	(3.08)	(2.42)	(2.66)
Closing net asset value per share	118.47	127.33	125.86
*after direct transactions costs of:	-	-	0.01
Performance			
Return after charges	(4.54%)	3.09%	2.36%
Other information			
Closing net asset value	£2,849,282	£3,119,934	£4,012,792
Closing number of shares	2,405,150	2,450,263	3,188,310
Operating charges (note 2)	1.19%	1.24%	1.31%
Direct transaction costs	0.00%	0.00%	0.01%
Prices			
Highest share price	129.57	134.65	129.32
Lowest share price	110.48	125.29	99.88

**PERFORMANCE RECORD (Continued)****Financial Highlights (Continued)****A Sterling Net Accumulation**

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	213.10	208.73	205.03
Return before operating charges	(6.82)	8.57	7.96
Operating charges (note 1)	(4.03)	(4.20)	(4.26)
Return after operating charges *	(10.85)	4.37	3.70
Closing net asset value per share	202.26	213.10	208.73
Retained distributions on accumulated shares	5.19	4.04	4.38
*after direct transactions costs of:	-	-	0.02
Performance			
Return after charges	(5.09%)	2.09%	1.81%
Other information			
Closing net asset value	£1,566,449	£2,050,523	£3,135,283
Closing number of shares	774,490	962,216	1,502,064
Operating charges (note 2)	1.94%	1.99%	2.06%
Direct transaction costs	0.00%	0.00%	0.01%
Prices			
Highest share price	216.83	225.72	214.38
Lowest share price	187.11	207.63	162.94

**B Sterling Net Accumulation**

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	164.94	160.35	156.33
Return before operating charges	(5.29)	6.61	6.10
Operating charges (note 1)	(1.92)	(2.02)	(2.07)
Return after operating charges *	(7.21)	4.59	4.02
Closing net asset value per share	157.73	164.94	160.35
Retained distributions on accumulated shares	4.03	3.11	3.35
*after direct transactions costs of:	-	-	0.01
Performance			
Return after charges	(4.37%)	2.86%	2.57%
Other information			
Closing net asset value	£2,431,263	£3,112,375	£5,938,053
Closing number of shares	1,541,448	1,886,942	3,703,106
Operating charges (note 2)	1.19%	1.24%	1.31%
Direct transaction costs	0.00%	0.00%	0.01%
Prices			
Highest share price	167.84	174.43	164.76
Lowest share price	145.59	159.63	124.36

**PERFORMANCE RECORD (Continued)****Financial Highlights (Continued)****C Sterling Net Income**

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	119.76	117.90	117.11
Return before operating charges	(4.01)	5.08	4.22
Operating charges (note 1)	(0.93)	(0.95)	(0.94)
Return after operating charges *	(4.94)	4.13	3.28
Distribution on income shares	(2.90)	(2.27)	(2.49)
Closing net asset value per share	111.92	119.76	117.90
*after direct transactions costs of:	-	-	0.01
Performance			
Return after charges	(4.12%)	3.50%	2.80%
Other information			
Closing net asset value	£839,824	£913,113	£116,753
Closing number of shares	750,374	762,449	99,027
Operating charges (note 2)	0.80%	0.80%	0.80%
Direct transaction costs	0.00%	0.00%	0.01%
Prices			
Highest share price	121.87	126.54	121.16
Lowest share price	104.25	117.44	93.20

**C Sterling Net Accumulation**

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	141.09	136.58	132.58
Return before operating charges	(4.47)	5.62	5.08
Operating charges (note 1)	(1.11)	(1.11)	(1.08)
Return after operating charges *	(5.57)	4.51	4.00
Closing net asset value per share	135.52	141.09	136.58
Retained distributions on accumulated shares	3.47	2.65	2.84
*after direct transactions costs of:	-	-	0.01
Performance			
Return after charges	(3.95%)	3.30%	3.02%
Other information			
Closing net asset value	£86,251,087	£87,431,130	£55,072,144
Closing number of shares	63,646,331	61,968,084	40,322,024
Operating charges (note 2)	0.80%	0.80%	0.80%
Direct transaction costs	0.00%	0.00%	0.01%
Prices			
Highest share price	143.57	149.07	140.36
Lowest share price	124.94	136.06	105.51

## PERFORMANCE RECORD (Continued)

### Financial Highlights (Continued)

#### Euro Net Accumulation

	Period to 06 July 2021 <sup>^</sup>	Year to 31 January 2021
Changes in net assets per share	EURc	EURc
Opening net asset value per share	231.04	239.10
Return before operating charges	24.89	(2.98)
Operating charges (note 1)	(5.04)	(5.08)
Return after operating charges *	19.85	(8.06)
Closing net asset value per share	250.89	231.04
Retained distributions on accumulated shares	2.00	4.85
*after direct transactions costs of:	-	0.02
Performance		
Return after charges	8.59%	(3.37%)
Other information		
Closing net asset value	€0	€31,688
Closing number of shares	-	13,715
Operating charges (note 2)	2.09%	2.16%
Direct transaction costs	0.00%	0.01%
Prices		
Highest share price	250.89	245.76
Lowest share price	232.43	171.47

<sup>^</sup>Share class closed on 06 July 2021.

1. The operating charges per share figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.

2. The operating charges percentage is based on the expenses incurred during the period annualised, as a proportion of the average net asset value of the Sub-fund plus the costs of the underlying holdings.

#### Risk Profile

Based on past data, the Sub-fund is ranked a '4' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document (31 January 2022: ranked 4). The Sub-fund is ranked 4 because volatility has been measured as average.

## PORTFOLIO STATEMENT

As at 31 January 2023

Holding	Value £	% of net assets
<b>Collective Investment Scheme (31.01.2022: 78.78%)</b>		
3,947,500 Allianz Strategic Bond	4,007,897	4.24
2,857,500 Artemis Corporate Bond	2,883,503	3.05
1,500,000 BNY Mellon Global Infra Income	1,420,650	1.50
1,680,000 Fidelity Emerging Markets	2,896,320	3.06
720,000 Fidelity Asia Pacific Opportunities	2,168,640	2.29
7,147,500 Fidelity Index UK	11,566,085	12.23
2,905,500 Fidelity Index US	9,848,192	10.42
1,501,000 Fidelity Index World	4,029,134	4.26
1,027,000 Fidelity Index Japan	1,975,845	2.09
1,625,000 Franklin UK Equity Income	4,156,750	4.40
6,202,611 Legal & General UK Mid Cap Index	3,768,706	3.99
2,035,000 Legal & General Global Inflation Linked Bond Index	1,200,854	1.27
1,125,000 Legal & General Global Infrastructure Index	901,575	0.95
1,400,000 LF Lightman European	2,176,160	2.30
1,225,000 FTF Martin Currie European Unconstrained	1,882,825	1.99
2,240,000 LF Gresham House UK Multi Cap Inc	3,640,000	3.85
49,000 Liontrust Special Situations Fund	233,024	0.25
1,397,500 Man GLG Japan CoreAlpha	3,161,145	3.34
4,375,000 Man GLG Sterling Corporate Bond	4,147,500	4.39
246,000 SEI Liquid Alternative Hdg GBP Wealth	3,276,720	3.47
10,200 TwentyFour Corporate Bond	1,143,420	1.21
	<b>70,484,945</b>	<b>74.55</b>
<b>Exchange Traded Funds (31.01.2022: 12.33%)</b>		
43,775 JPM GBP Ultra-Short Income UCITS ETF	4,503,353	4.76
350,750 L&G ESG GBP Corporate Bond UCITS ETF	2,820,381	2.98
34,250 Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	3,659,955	3.87
40,750 Vanguard Total International Bond Index Fund	1,600,556	1.69
237,750 WisdomTree Global Quality Div G UCITS ETF	6,143,460	6.50
	<b>18,727,705</b>	<b>19.80</b>
<b>Investments Trusts (31.01.2022: 6.84%)</b>		
765,455 Blackstone Loan Financing Limited	504,713	0.53
112,500 Cordiant Digital Infrastructure Ltd (SUB SHS)	5,625	0.01
1,717,500 Cordiant Digital Infrastructure Ltd	1,466,745	1.55
2,755,000 Hipgnosis Songs Fund Ltd	2,297,670	2.43
	<b>4,274,753</b>	<b>4.52</b>
<b>REITs (31.01.2022: 0.92%)</b>		
1,170,000 Alternative Income REIT PLC	833,040	0.89
	<b>833,040</b>	<b>0.89</b>
<b>Portfolio of investments (31.01.2022: 98.87%)</b>	<b>94,320,443</b>	<b>99.76</b>
<b>Net other assets (31.01.2022: 1.19%)</b>	<b>225,214</b>	<b>0.24</b>
	<b>94,545,657</b>	<b>100.00</b>

Note: The 31 January 2022 comparators percentages are based on Mid pricing and does not add up to 100%. The Mid to Bid adjustment for the year ended 31 January 2022 was (0.06%).

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

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	£
<b>Total sales for the year (note 14)</b>	<b>42,305,007</b>
Allianz Strategic Bond	530,145
Artemis Corporate Bond	778,855
Baillie Gifford Japanese	1,592,923
BlackRock Continental European Income	1,985,005
BNY Mellon Global Infra Income	173,108
Brown Advisory Global Leaders	3,078,650
Cordiant Digital Infrastructure Ltd	144,506
Fidelity Emerging Markets	1,204,728
Fidelity Index Japan	408,842
Fidelity Index UK	1,209,062
Fidelity Index US	753,254
Fidelity Index World	702,801
Franklin UK Equity Income	635,630
FTF Martin Currie European Unconstrained	2,269,660
Hipgnosis Songs Fund Ltd	147,249
iShares Overseas Corporate Bond Index (UK)	1,527,337
JPM GBP Ultra-Short Income UCITS ETF	955,785
JPM Global Macro Opportunities	3,047,265
Legal & General Global Inflation Linked Bond Index	2,488,312
Legal & General UK Mid Cap Index	2,096,745
LF Gresham House UK Multi Cap Inc	2,239,445
Liontrust Special Situations Fund	3,412,579
Lyxor Core FTSE Actuaries UK Gilts (DR) UCITS ETF	738,446
Man GLG Japan CoreAlpha	440,125
MS INVF Asia Opportunity	1,482,206
Nomura Funds Ireland-Global Dynamic Bond	1,013,589
Schroder Sterling Corporate Bond	2,591,203
TR Property Investment Trust PLC	903,301
TwentyFour Corporate Bond	264,825
Vanguard Global Bond Index	2,238,688
Vanguard Total International Bond Index Fund	824,042
WisdomTree Global Quality Div G UCITS ETF	426,696

The above sales represent all of the sales during the year.

**SUMMARY OF MATERIAL PORTFOLIO CHANGES (continued)**

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	£
<b>Total purchases for the year (note 14)</b>	<b>44,681,530</b>
Allianz Strategic Bond	2,576,599
Artemis Corporate Bond	576,881
BlackRock Continental European Income	584,822
Blackstone Loan Financing Limited	27,005
BNY Mellon Global Infra Income	581,166
Brown Advisory Global Leaders	106,265
Cordiant Digital Infrastructure Ltd	245,546
Fidelity Asia Pacific Opportunities	2,046,560
Fidelity Emerging Markets	859,725
Fidelity Index Japan	1,126,052
Fidelity Index UK	1,786,874
Fidelity Index US	2,511,484
Fidelity Index World	2,252,583
Franklin UK Equity Income	4,476,950
FTF Martin Currie European Unconstrained	172,700
Hipgnosis Songs Fund Ltd	211,348
iShares Overseas Corporate Bond Index	132,545
JPM GBP Ultra-Short Income UCITS ETF	635,078
JPM Global Macro Opportunities	82,900
L&G ESG GBP Corporate Bond UCITS ETF	562,059
Legal & General Global Infrastructure Index	909,560
Legal & General UK Mid Cap Index	1,161,820
LF Gresham House UK Multi Cap Inc	1,449,072
LF Lightman European	2,051,613
Liontrust Special Situations Fund	470,842
Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	3,670,971
Man GLG Japan CoreAlpha	730,558
Man GLG Sterling Corporate Bond	3,816,952
SEI Liquid Alternative Hdg GBP Wealth	3,243,920
TR Property Investment Trust PLC	84,184
TwentyFour Corporate Bond	363,113
Vanguard Total International Bond Index Fund	2,524,635
WisdomTree Global Quality Div G UCITS ETF	2,649,148

The above purchases represent all of the purchases during the year.

## STATEMENT OF TOTAL RETURN

For the year ended 31 January

		2023		2022	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2		(6,066,739)		568,483
Revenue	3	2,487,335		1,546,236	
Expenses	4	(511,634)		(483,289)	
Interest payable and similar charges	6	<u>(415)</u>		<u>(3,246)</u>	
Net revenue before taxation		1,975,286		1,059,701	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>1,975,286</u>		<u>1,059,701</u>
Total return before distributions			(4,091,453)		1,628,184
Finance costs: distributions	6		<u>(2,441,930)</u>		<u>(1,457,787)</u>
<b>Changes in net assets attributable to shareholders from investment activities</b>			<u>(6,533,383)</u>		<u>170,397</u>

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 January

	2023	2022
	£	£
<b>Opening net assets attributable to shareholders</b>	97,525,329	69,271,604
Amounts receivable on creation of shares	11,605,285	38,458,136
Amounts payable on cancellation of shares	(10,379,898)	(11,808,323)
Dividends reinvested	2,328,324	1,433,515
Changes in net assets attributable to shareholders from investment activities (see above)	<u>(6,533,383)</u>	<u>170,397</u>
<b>Closing net assets attributable to shareholders</b>	<u>94,545,657</u>	<u>97,525,329</u>

**BALANCE SHEET**

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As at	Notes	31.01.2023		31.01.2022	
		£	£	£	£
<b>ASSETS</b>					
Investment assets			94,320,443		96,364,037
<b>Current assets</b>					
Debtors	7	1,170,789		1,431,123	
Cash and bank balances	8	<u>916,193</u>		<u>757,502</u>	
<b>Total current assets</b>			<u>2,086,982</u>		<u>2,188,625</u>
<b>Total assets</b>			96,407,425		98,552,662
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Distribution payable on income shares		(31,160)		(8,906)	
Bank overdraft	8	(1,044,262)		(335,134)	
Creditors	9	<u>(786,346)</u>		<u>(683,293)</u>	
<b>Total current liabilities</b>			<u>(1,861,768)</u>		<u>(1,027,333)</u>
<b>Net assets attributable to shareholders</b>			<u>94,545,657</u>		<u>97,525,329</u>

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 January 2023

### 1 Accounting policies

Accounting policies applied to the financial statements are noted on page 7 and 8.

### 2 Net capital (losses)/gains

	2023	2022
	£	£
The net capital (losses)/gains comprise:		
Non-derivative securities (losses)/gains	(6,060,759)	569,284
Currency (losses)	(4,021)	(164)
Transaction charges	(1,959)	(637)
Total net capital (losses)/gains	<u>(6,066,739)</u>	<u>568,483</u>

### 3 Revenue

	2023	2022
	£	£
Non-taxable dividends	1,447,409	968,795
Interest distributions	885,246	421,099
Property income distributions (PIDs)	65,228	53,655
Bank interest	6,334	2,593
Investment adviser rebate	83,118	100,094
Total revenue	<u>2,487,335</u>	<u>1,546,236</u>

### 4 Expenses

	2023	2022
	£	£
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
Annual management charge	449,365	425,951
	<u>449,365</u>	<u>425,951</u>
<b>Payable to the depositary, associates of the depositary, and agents of either of them:</b>		
Depositary fee	34,188	29,796
Safe custody fee	7,798	8,516
	<u>41,986</u>	<u>38,312</u>
<b>Other expenses:</b>		
Audit fee	7,711	7,053
FCA fee	46	55
Other expenses	12,526	11,918
	<u>20,283</u>	<u>19,026</u>
Total expenses	<u>511,634</u>	<u>483,289</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Taxation

	2023	2022
	£	£
<b>(a) Analysis of charge in the year</b>		
UK corporation tax	-	-
Total tax charge for the year (note 5b)	-	-

**(b) Factors affecting current tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2022: 20.00%) The differences are explained below:

Net revenue before UK corporation tax	1,975,286	1,059,701
Corporation tax at 20.00% (2022:20.00%)	395,057	211,940
<u>Effects of:</u>		
Revenue not subject to UK corporation tax	(289,482)	(193,759)
Excess management expenses utilised	(105,575)	(18,181)
Total tax charge for the year (note 5a)	-	-

**(c) Provision for deferred taxation**

At 31 January 2023 there is a potential deferred tax asset of £104,068 (31 January 2022: £209,643) in relation to surplus management expenses. It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

6 Finance costs

	2023	2022
	£	£
Interim dividend distributions	1,771,249	1,350,075
Final dividend distribution	672,367	174,610
	2,443,616	1,524,685
Add: Revenue deducted on cancellation of shares	36,727	28,053
Deduct: Revenue received on issue of shares	(38,413)	(94,951)
<b>Net distribution for the year</b>	2,441,930	1,457,787
Interest payable and similar charges	415	3,246
<b>Total finance costs</b>	2,442,345	1,461,033

**Reconciliation of distributions**

Net revenue after taxation	1,975,286	1,059,701
Equalisation from collectives allocated to revenue	175,325	-
Expenses paid from capital (net of rebate)	428,516	383,195
Relief on expenses allocated to capital	(85,703)	(76,639)
Balance brought forward	(34,639)	56,891
Balance carried forward	(16,855)	34,639
<b>Net distribution for the year</b>	2,441,930	1,457,787

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>7 Debtors</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Amounts receivable on creation of shares	52,507	1,175,847
Amounts receivable on unsettled trades	1,061,177	188,752
Accrued income:		
Non-taxable dividends receivable	48,422	10,955
Prepayments	1,968	-
Investment adviser rebate receivable	6,715	55,569
<b>Total debtors</b>	<b>1,170,789</b>	<b>1,431,123</b>

<b>8 Cash and bank balances</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	916,193	757,502
Bank overdraft	(1,044,262)	(335,134)

<b>9 Creditors</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Amounts payable on cancellation of shares	69,189	305,546
Amounts payable on unsettled trades	652,010	322,470
Annual management charge payable	38,724	40,455
Other accrued expenses	26,423	14,822
<b>Total creditors</b>	<b>786,346</b>	<b>683,293</b>

**10 Shares held**

**Shares Held - A Sterling Net Income**

<b>Opening shares at 01.02.2022</b>	<b>781,468</b>
Shares issued during the year	256
Shares cancelled during the year	(172,258)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>609,466</b>

**Shares Held - B Sterling Net Income**

<b>Opening shares at 01.02.2022</b>	<b>2,450,263</b>
Shares issued during the year	31,848
Shares cancelled during the year	(76,961)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>2,405,150</b>

**Shares Held - C Sterling Net Income**

<b>Opening shares at 01.02.2022</b>	<b>762,449</b>
Shares issued during the year	215
Shares cancelled during the year	(12,290)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>750,374</b>

**Shares Held - A Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>962,216</b>
Shares issued during the year	-
Shares cancelled during the year	(187,726)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>774,490</b>

**10 Shares held (continued)**

**Shares Held - B Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>1,886,942</b>
Shares issued during the year	23,109
Shares cancelled during the year	(368,603)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>1,541,448</b>

**Shares Held - C Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>61,968,084</b>
Shares issued during the year	8,532,296
Shares cancelled during the year	(6,854,049)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>63,646,331</b>

**11 Risk management policies**

In pursuing its investment objective as stated on page 8, the Sub-fund holds a number of financial instruments. The Sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Sub-fund's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

**Market price risk**

Market price risk is the risk that the value of the Sub-fund's investment holdings 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 mainly from uncertainty about future prices of financial instruments the Sub-fund holds. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.01.2023 would have increased/decreased by £9,432,044 (2022: £9,636,404).

**11 Risk management policies (continued)**

**Foreign currency risk**

Foreign currency risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Sub-fund's investment portfolio is partly invested in collective investment schemes that are registered overseas and funds that invest in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to Sterling on or near the date of receipt.

A portion of the net assets of the Sub-fund is denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by currency movements.

Net currency assets and liabilities consist of:

	Net monetary assets and liabilities		Non-monetary assets and liabilities		Total net assets	
	£'000		£'000		£'000	
	31.01.2023	31.01.2022	31.01.2023	31.01.2022	31.01.2023	31.01.2022
Sterling	216	1,153	92,215	95,884	92,431	97,037
USD	9	8	1,601	-	1,610	8
Euros	-	-	505	480	505	480
<b>Total</b>	<b>225</b>	<b>1,161</b>	<b>94,321</b>	<b>96,364</b>	<b>94,546</b>	<b>97,525</b>

If foreign currency rates at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.01.2023 would have increased/decreased by £211,500 (2022: £48,800).

**Interest rate risk**

Interest rate risk is the risk to portfolio value due to changes in interest rates. The magnitude of the exposure from an adverse change in interest rates depends on the sensitivity of the instrument to changes in interest rates as well as the absolute change in interest rates. In general, values of long-term instruments are more sensitive to interest rate changes than the values of short-term instruments.

The sub-fund take on interest rate risk when the investment manager believes the expected returns compensate for the risk, limited by the investment objective, policy and any prospectus rules. The investment manager monitors the level of interest rate risk in the fund on a regular basis. In addition any cash deposits in the sub-fund are linked to SONIA, ensuring interest income increases as interest rates increase.

The table below details the interest rate risk profile at the balance sheet date:

	31.01.2023	31.01.2022
	£'000	£'000
Financial assets floating rate	916	758
Financial assets interest bearing instruments	29,749	27,333
Financial assets non-interest bearing instruments	65,742	70,461
Financial liabilities floating rate	(1,044)	(335)
Financial liabilities non-interest bearing instruments	(817)	(692)
	<b>94,546</b>	<b>97,525</b>

**Liquidity risk**

The Sub-fund's assets comprise mainly of readily realisable securities. The main liability of the Sub-fund is the redemption of any shares that the investors wish to sell. Assets of the Sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

**11 Risk management policies (continued)**

**Credit risk**

Certain transactions in securities that the Sub-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 Sub-fund has fulfilled its responsibilities. The Sub-fund only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Credit risk also arises on cash held within financial institutions and debt securities. Credit risk on cash balances is mitigated by ensuring that cash is held with financial institutions that are at least investment grade credit related. Indirect credit risk arises from holdings in collectives that invest in debt securities as any default or perceived risk of default will affect the valuation of such holdings.

**Fair value disclosure**

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices and the lowest priority to un-observable inputs. The criteria applied to the fair values levels in these financial statements are as follows:

- 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.

Valuation Technique	31.01.2023		31.01.2022	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Level 1: Unadjusted quoted price in an active market for an identical instrument	23,835	-	19,550	-
Level 2: Valuation techniques using observable inputs other than quoted prices within level 1	70,485	-	76,814	-
Total	94,320	-	96,364	-

**12 Contingent assets and liabilities**

At 31 January 2023, the Sub-fund had no contingent liabilities or commitments (31 January 2022: £nil).

**13 Post balance sheet events**

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 31 January 2023. Since that date, the Sub-fund's quoted price has moved as follows for each share class:

Share Class	Price at 31 January 2023	Price at 30 May 2023
A Sterling Net Income	108.83p	105.76p
B Sterling Net Income	118.47p	115.40p
A Sterling Net Accumulation	202.26p	198.89p
B Sterling Net Accumulation	157.73p	155.48p
C Sterling Net Income	111.92p	109.14p
C Sterling Net Accumulation	135.52p	133.73p

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**14 Direct transaction costs**

	2023		2022	
	£	%	£	%
<b>Analysis of total purchase costs</b>				
Purchases in the year before transaction costs	44,680,804		54,609,425	
Commissions	304	0.00%	2,674	0.00%
Taxes & Levies	422	0.00%	2,363	0.00%
Total purchase costs	<u>726</u>	<u>0.00%</u>	<u>5,037</u>	<u>0.00%</u>
Total purchases including transaction costs	<u>44,681,530</u>		<u>54,614,462</u>	

	2023		2022	
	£	%	£	%
<b>Analysis of total sale costs</b>				
Sales in the year before transaction costs	42,305,624		28,518,997	
Commissions	(608)	(0.00%)	(1,395)	(0.00%)
Taxes & Levies	(9)	(0.00%)	(12)	(0.00%)
	<u>(617)</u>	<u>(0.00%)</u>	<u>(1,407)</u>	<u>(0.00%)</u>
Total sales net of transaction costs	<u>42,305,007</u>		<u>28,517,590</u>	

The following represents the total of each type of transaction cost, expressed as a percentage of the Sub-fund's average net asset value in the year:

	2023	% of average net	2022	% of average net
	£	asset value	£	asset value
Commissions	912	0.00%	4,069	0.00%
Taxes & Levies	431	0.00%	2,375	0.00%
	<u>1,343</u>	<u>0.00%</u>	<u>6,444</u>	<u>0.00%</u>

**15 Portfolio Dealing Spread**

The average portfolio dealing spread at 31 January 2023 is 0.12% (2022: 0.12%).

**16 Related Party transactions**

Valu-Trac Investment Management Limited, as ACD is a related party due to its ability to act in respect of the operations of the Sub-fund.

Amounts paid to the ACD and its associates are disclosed in note 4. The amounts due to the ACD and its associates at the balance sheet date are disclosed in note 9. Amounts received from the ACD and its associates are disclosed in note 3. Amounts due from the ACD and its associates at the balance sheet date are disclosed in note 7.

## DISTRIBUTION TABLES

### Q1 Interim distributions in pence per share

Group 1: Shares purchased prior to 01 February 2022

Group 2 : Shares purchased 01 February 2022 to 30 April 2022

Payment date	Unit Type	Share Class	Net Revenue 2022	Equalisation 2022	Distribution 2022	Distribution 2021
30.06.2022	group 1	A Sterling Net Income	0.9127p	-	0.9127p	1.0004p
30.06.2022	group 2	A Sterling Net Income	0.0550p	0.8577p	0.9127p	1.0004p
30.06.2022	group 1	B Sterling Net Income	0.9875p	-	0.9875p	1.0732p
30.06.2022	group 2	B Sterling Net Income	0.1008p	0.8867p	0.9875p	1.0732p
30.06.2022	group 1	C Sterling Net Income	0.9237p	-	0.9237p	1.0065p
30.06.2022	group 2	C Sterling Net Income	0.8394p	0.0843p	0.9237p	1.0065p
30.06.2022	group 1	A Sterling Net Accumulation	1.6535p	-	1.6535p	1.7783p
30.06.2022	group 2	A Sterling Net Accumulation	1.6535p	-	1.6535p	1.7783p
30.06.2022	group 1	B Sterling Net Accumulation	1.2815p	-	1.2815p	1.3673p
30.06.2022	group 2	B Sterling Net Accumulation	0.5521p	0.7294p	1.2815p	1.3673p
30.06.2022	group 1	C Sterling Net Accumulation	1.1069p	-	1.1069p	1.1651p
30.06.2022	group 2	C Sterling Net Accumulation	0.6011p	0.5058p	1.1069p	1.1651p
30.06.2022	group 1	Euro Net Accumulation	-	-	-	1.7414p
30.06.2022	group 2	Euro Net Accumulation	-	-	-	1.7414p

### Q2 Interim distributions in pence per share

Group 1: Shares purchased prior to 01 May 2022

Group 2 : Shares purchased 01 May 2022 to 31 July 2022

Payment date	Unit Type	Share Class	Net Revenue 2022	Equalisation 2022	Distribution 2022	Distribution 2021
30.09.2022	group 1	A Sterling Net Income	0.8193p	-	0.8193p	0.7419p
30.09.2022	group 2	A Sterling Net Income	0.4162p	0.4031p	0.8193p	0.7419p
30.09.2022	group 1	B Sterling Net Income	0.8876p	-	0.8876p	0.7977p
30.09.2022	group 2	B Sterling Net Income	0.8876p	-	0.8876p	0.7977p
30.09.2022	group 1	C Sterling Net Income	0.8362p	-	0.8362p	0.7482p
30.09.2022	group 2	C Sterling Net Income	0.8362p	-	0.8362p	0.7482p
30.09.2022	group 1	A Sterling Net Accumulation	1.4959p	-	1.4959p	1.3300p
30.09.2022	group 2	A Sterling Net Accumulation	1.4959p	-	1.4959p	1.3300p
30.09.2022	group 1	B Sterling Net Accumulation	1.1611p	-	1.1611p	1.0246p
30.09.2022	group 2	B Sterling Net Accumulation	0.5644p	0.5967p	1.1611p	1.0246p
30.09.2022	group 1	C Sterling Net Accumulation	0.9945p	-	0.9945p	0.8740p
30.09.2022	group 2	C Sterling Net Accumulation	0.5232p	0.4713p	0.9945p	0.8740p

**DISTRIBUTION TABLES (Continued)****Q3 Interim distributions in pence per share**

Group 1: Shares purchased prior to 01 August 2022

Group 2 : Shares purchased 01 August 2022 to 31 October 2022

Payment date	Unit Type	Share Class	Net Revenue 2022	Equalisation 2022	Distribution 2022	Distribution 2021
30.12.2022	group 1	A Sterling Net Income	0.3269p	-	0.3269p	0.3016p
30.12.2022	group 2	A Sterling Net Income	0.1253p	0.2016p	0.3269p	0.3016p
30.12.2022	group 1	B Sterling Net Income	0.3548p	-	0.3548p	0.3249p
30.12.2022	group 2	B Sterling Net Income	0.3548p	-	0.3548p	0.3249p
30.12.2022	group 1	C Sterling Net Income	0.3347p	-	0.3347p	0.3051p
30.12.2022	group 2	C Sterling Net Income	0.3347p	-	0.3347p	0.3051p
30.12.2022	group 1	A Sterling Net Accumulation	0.6012p	-	0.6012p	0.5439p
30.12.2022	group 2	A Sterling Net Accumulation	0.6012p	-	0.6012p	0.5439p
30.12.2022	group 1	B Sterling Net Accumulation	0.4675p	-	0.4675p	0.4198p
30.12.2022	group 2	B Sterling Net Accumulation	0.2681p	0.1994p	0.4675p	0.4198p
30.12.2022	group 1	C Sterling Net Accumulation	0.4011p	-	0.4011p	0.3585p
30.12.2022	group 2	C Sterling Net Accumulation	0.1210p	0.2801p	0.4011p	0.3585p

**Final distributions in pence per share**

Group 1: Shares purchased prior to 01 November 2022

Group 2 : Shares purchased 01 November 2022 to 31 January 2023

Payment date	Unit Type	Share Class	Net Revenue 2023	Equalisation 2023	Distribution 2023	Distribution 2022
31.03.2023	group 1	A Sterling Net Income	0.7798p	-	0.7798p	0.2122p
31.03.2023	group 2	A Sterling Net Income	0.3989p	0.3809p	0.7798p	0.2122p
31.03.2023	group 1	B Sterling Net Income	0.8481p	-	0.8481p	0.2289p
31.03.2023	group 2	B Sterling Net Income	0.8481p	-	0.8481p	0.2289p
31.03.2023	group 1	C Sterling Net Income	0.8008p	-	0.8008p	0.2151p
31.03.2023	group 2	C Sterling Net Income	0.7149p	0.0859p	0.8008p	0.2151p
31.03.2023	group 1	A Sterling Net Accumulation	1.4389p	-	1.4389p	0.3837p
31.03.2023	group 2	A Sterling Net Accumulation	1.4389p	-	1.4389p	0.3837p
31.03.2023	group 1	B Sterling Net Accumulation	1.1211p	-	1.1211p	0.2964p
31.03.2023	group 2	B Sterling Net Accumulation	0.6131p	0.5080p	1.1211p	0.2964p
31.03.2023	group 1	C Sterling Net Accumulation	0.9628p	-	0.9628p	0.2524p
31.03.2023	group 2	C Sterling Net Accumulation	0.4829p	0.4799p	0.9628p	0.2524p

**Information for corporate shareholders**

A corporate shareholder receives the distribution shown on the voucher enclosed with this report as follows:

- i) 60.20% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 39.80% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

## SUB-FUND OVERVIEW

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<b>Name of Sub-fund</b>	Discovery Growth Fund
<b>Size of Sub-fund</b>	£35,240,781
<b>Launch date</b>	23 October 2006
<b>Sub-fund objective and policy</b>	<p>The objective of the Fund is to provide capital growth over a market cycle (5 years).</p> <p>The Sub-fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) to a range of eligible assets such as transferable securities (shares (including investment trusts), debentures, government and public securities, warrants or certificates representing certain securities), money market instruments, deposits, cash, property and commodities to provide diversification. The Sub-fund may also invest directly in such eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.</p> <p>The Sub-fund will be constructed based on the Investment Manager's assessment of the broader economic outlook as well as the absolute and relative attractiveness of different asset classes. This analysis, combined with the view on the potential risk profile and relative risk-adjusted returns of asset classes will determine the current asset allocation of the Sub-fund.</p> <p>Typically, the Sub-fund is likely to have greater exposure to higher risk assets such as underlying equities and commodities with a view to achieving higher growth, and less exposure to underlying cash, fixed interest and property assets, than other funds in the range.</p> <p>The Investment Manager will use a wide range of assets and asset classes to provide a diversified investment approach and will actively alter the weights of the component parts where necessary with a view to achieving the investment objective. The Sub-fund might have the ability to be fully invested in one class of asset, but in reality, due to creating a diversified investment solution, it will be exposed to numerous managers, geographies, asset classes and styles.</p>
<b>Benchmark</b>	<p>The Sub-fund is not managed to or constrained by a benchmark, and nor does the ACD use a benchmark in order to assess performance.</p> <p>However, many funds sold in the UK are grouped into sectors by the Investment Association (the "IA") (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.</p> <p>In order to assess the Sub-fund's performance, investors may find it useful to compare the Sub-fund against the performance of the IA Flexible Investment sector, which serves as a method of comparing the Sub-fund's performance with other funds which have broadly similar characteristics.</p>
<b>Authorised Corporate Director (ACD)</b>	Valu-Trac Investment Management Limited
<b>Ex-distribution dates</b>	31 January
<b>Distribution dates</b>	31 March
<b>Individual Savings Account (ISA)</b>	The Sub-fund is a qualifying investment for inclusion in an ISA.

## SUB-FUND OVERVIEW (Continued)

### Share class information

Share class	Minimum initial subscription	Minimum subsequent investment	Minimum holding	Monthly savings available	Minimum redemption	Initial charge
A Sterling Net Accumulation	£3,000	£1,000	£3,000	Yes	£1,000	5%
B Sterling Net Accumulation	£3,000	£1,000	£3,000	Yes	£1,000	0%
C Sterling Net Accumulation*	£5,000,000	£500,000	£5,000,000	Yes	£500,000	0%
US \$ Net Accumulation	\$5,000	\$1,500	\$5,000	Yes	\$1,500	5%
Euro Net Accumulation	€ 5,000	€ 1,500	€ 5,000	Yes	€ 1,500	5%

\* C Class shares are available only to investors with a separate arrangement with the ACD or the investment adviser.

### Annual management charges

The annual management charge is as follows £25,000<sup>^</sup> plus:

In respect of the A shares, it is equal to 1.45% per annum of the net asset value of the A shares.

In respect of the B shares, it is equal to 0.70% per annum of the net asset value of the B shares.

In respect of the C shares, it is equal to 0.40% per annum of the net asset value of the C shares.

In respect of the US \$ and Euro shares, it is equal to 1.55% per annum of the net asset value of the US \$ shares or Euro shares.

<sup>^</sup>The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Prices Index) on 1 January each year (from 1 January 2020). In the event of negative inflation, the fixed element of the fee will remain unchanged.

### Investment adviser rebate

The Investment Adviser of the Sub-fund had undertaken to absorb any costs that would otherwise cause the C shares to have ongoing charges in excess of 0.80%. This rebate arrangement ceased on 03 March 2023.

## INVESTMENT ADVISER'S REVIEW

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In the year to end of January 2023, the unit price of the Discovery Growth Fund (as measured by the B Accumulation unit) fell by 2.58%, compared to -1.27% return from the Flexible Investment Sector – a broad based peer group average. Although this number is disappointing, capital markets were incredibly volatile over the year and the peer group contains a wide array of funds with different risk and reward characteristics.

The portfolio is managed using the “fund of funds” approach which instead of investing directly in the shares or debt of companies such as Marks & Spencer, Apple, ITV, BMW, Sony, Proctor & Gamble, BP or any stock market listed company on any of the global stock exchanges, the manager invests in mutual funds – those offered by companies such as Invesco, PIMCO, Janus Henderson or abrdn. A typical “mutual fund” portfolio might contain shares of 50-100 underlying companies; a typical “fund of funds” portfolio might contain 15-30 funds. Therefore, do not be too concerned when looking at what looks like a relatively small “stock list”. In reality, a fund of funds portfolio is much more diversified than a typical mutual fund.

A great advantage of investing in a fund of funds portfolio is the benefit of diversification – each investment manager included in the fund can invest in different assets and asset classes – equity, debt, or property for instance. Further to this, the manager can dive deeper into different sub sectors – market capitalisation, term of debt, quality of debt, streams of income and so on which allows further diversification. Another advantage to this is “managing the manager” – the investment manager that runs a fund for Jupiter for example might be a “value” or a “growth” manager and adopt a different style to one from Ruffer. The role of a fund of funds manager is to balance and blend styles to deliver a portfolio that meets with the investment objectives.

The investment approach taken on the VT Discovery Growth Fund is broadly “buy and hold.” In normal circumstances, do not expect the portfolio activity to be excessive. Remember, the underlying holdings within the fund managed by Liontrust for instance might well be constantly changing; trying to double guess what the manager is double guessing what the market is going to do is not the goal.

The last few years, from an investment manager perspective, has been incredibly difficult to navigate. The effects of the global economy pretty much closing down due to Covid are still being felt (even though the virus was first acknowledged in December 2019 and parts of China are still in lockdown). The global reaction from governments all over the world through furlough schemes, grants and stimulus cheques for instance has created a massive wave of inflation and interest rates have had to rise – substantially – to offset this. If the last few years were hard, the next few years are likely to be just as challenging as the world re-balances and adjusts to alternate factors affecting the capital markets.

Due to the rapidly changing circumstances in global economies, a “crazy” (is there another more apt word) political and geopolitical environment and consequential capital market movements, there have been quite a few changes to the portfolio in the most recent twelve months. At the end of January 2022, the Discovery Growth portfolio contained thirty-two investments. Twelve months later, this number has fallen to twenty-nine, but during the year the amount of holdings in the portfolio varied between thirty-three and twenty-eight. Six new assets were introduced. Nine investments were redeemed entirely and another holding saw itself make an entrance and then an exit within the review period. This portfolio activity doesn't naturally feel “normal” as the approach taken in this mandate is to invest for the medium to long-term. But, when circumstances dictate and needs must, we are not afraid to take such a proactive stance to portfolio construction.

Combining the information above and the table below shows the portfolio has been quite actively managed over the past twelve months. The exposure to equities rose quite significantly over the review period at the expense of cash and fixed income.

<b>31/01/2022</b>		<b>31/01/2023</b>
<b>72.38%</b>	<b>Equity</b>	<b>75.01%</b>
<b>3.93%</b>	<b>Infrastructure</b>	<b>3.86%</b>
<b>13.81%</b>	<b>Fixed Income</b>	<b>12.91%</b>
<b>4.13%</b>	<b>Cash</b>	<b>2.34%</b>
<b>5.75%</b>	<b>Other</b>	<b>5.88%</b>

From an asset allocation perspective, the exposure to US equities rose from 9.59% to 12.32% in the review period and the allocation to Europe fell to 6.78% from 8.79%. Finally, the weight attributed to “global” managers rose to 14.94% - up by 1.84% over the year. From a fixed income perspective, the allocation to domestic sovereign debt (i.e. British Government bonds) ended the year at 1.44% (up from 0.64% twelve months ago) but there was a period where there was no allocation at all. The allocation to international sovereign debt more than halved from 6.50% to end the year at 3.10%.

## INVESTMENT ADVISER'S REVIEW (Continued)

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### Outlook:

It feels like the capital markets are entering a “transitionary” period. 2022 saw interest rates rise in the UK, the US, Europe and many other global Central Banks followed their lead. The pace of the rate rises was incredible, with the Bank of England increasing the base rate at every one of their meetings in the year. The reason was to offset the rapidly rising inflation numbers which hit double digits in the UK and the US. The main reasons the inflation numbers took off were due to ongoing spending after the huge stimulus give-away post covid and the rapid rise of energy bills due to Russia invading Ukraine. Although the speed of the increase started to slow towards the end of the year, the likelihood of a recession in the majority of the mature economies of the world is increasing.

It feels like the world is now pricing corporate profits differently and capital markets are reacting accordingly. In a low interest rate environment, the “discount rate” applied to company earnings and profits and prospects is different to operating in a higher interest rate environment. Inflation at 10% has very different economic impacts compared to a 2% number. Assuming inflation isn't going back to 2% any time soon, and interest rates aren't heading back to zero, the attractiveness of certain stocks and sectors change because of their capital structure, target markets and so on. This will impact different stocks and different stock markets in different ways. Large Cap Technology companies have already started laying off workers (with over 100,000 redundancies announced this year alone) for instance as the high growth experienced in the last couple of years witnessed from these companies is unlikely to repeat for the next couple of years and this is where the “transition” is occurring.

As interest rates rise, the attractiveness of cash and fixed income as asset classes in their own right become more appealing which puts greater pressure on equities in the fight for capital. In a year where both equities and fixed income both fell – and both fell significantly – the yields now available to fixed income investors do look very appealing. On a risk adjusted basis, don't be surprised if this asset class performs admirably in 2023.

24 February 2023  
Richard Philbin  
Chief Investment Officer (Solutions)  
Hawksmoor Investment Management Limited

## PERFORMANCE RECORD

### Financial Highlights

#### A Sterling Net Accumulation

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	170.39	166.81	158.22
Return before operating charges	(2.24)	7.36	12.77
Operating charges (note 1)	(3.40)	(3.78)	(4.18)
Return after operating charges *	(5.64)	3.58	8.59
Closing net asset value per share	164.75	170.39	166.81
Retained distributions on accumulation shares	0.13	0.00	0.00
*after direct transactions costs of:	0.00	0.07	0.04
Performance			
Return after charges	(3.31%)	2.14%	5.43%
Other information			
Closing net asset value	£101,010	£163,474	£424,864
Closing number of shares	61,311	95,943	254,701
Operating charges (note 2)	2.03%	2.24%	2.57%
Direct transaction costs	0.00%	0.04%	0.02%
Prices			
Highest share price	174.85	182.60	172.75
Lowest share price	151.64	166.24	125.36

#### B Sterling Net Accumulation

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	194.40	188.91	177.85
Return before operating charges	(2.55)	8.35	14.39
Operating charges (note 1)	(2.46)	(2.86)	(3.34)
Return after operating charges *	(5.01)	5.49	11.06
Closing net asset value per share	189.38	194.40	188.91
Retained distributions on accumulation shares	1.55	1.14	1.11
*after direct transactions costs of:	0.00	0.08	0.04
Performance			
Return after charges	(2.58%)	2.90%	6.22%
Other information			
Closing net asset value	£1,680,352	£1,799,451	£2,070,535
Closing number of shares	887,270	925,666	1,096,067
Operating charges (note 2)	1.28%	1.49%	1.82%
Direct transaction costs	0.00%	0.04%	0.02%
Prices			
Highest share price	199.53	208.04	195.71
Lowest share price	173.92	188.41	141.06

**PERFORMANCE RECORD (Continued)**

**Financial Highlights (Continued)**

**US \$ Net Accumulation**

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	USDc	USDc	USDc
Opening net asset value per share	211.49	212.00	192.93
Return before operating charges	(19.38)	4.44	24.48
Operating charges (note 1)	(4.25)	(4.95)	(5.41)
Return after operating charges	(23.64)	(0.51)	19.07
Closing net asset value per share	187.85	211.49	212.00
Retained distributions on accumulation shares	0.00	0.00	0.00
*after direct transactions costs of:	0.00	0.08	0.05
Performance			
Return after charges	(11.18%)	(0.24%)	9.89%
Other information			
Closing net asset value	\$27,629	\$31,105	\$31,181
Closing number of shares	14,708	14,708	14,708
Operating charges (note 2)	2.13%	2.34%	2.67%
Direct transaction costs	0.00%	0.04%	0.02%
Prices			
Highest share price	219.68	231.95	222.74
Lowest share price	156.24	211.49	134.42

**C Sterling Net Accumulation**

	Year to 31 January 2023	Year to 31 January 2022	Year to 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	158.55	153.28	143.50
Return before operating charges	(1.38)	6.52	10.97
Operating charges (note 1)	(1.26)	(1.25)	(1.19)
Return after operating charges *	(2.64)	5.27	9.78
Closing net asset value per share	155.91	158.55	153.28
Retained distributions on accumulated shares	2.70	1.77	1.68
*after direct transactions costs of:	0.00	0.06	0.03
Performance			
Return after charges	(1.66%)	3.44%	6.81%
Other information			
Closing net asset value	£33,457,576	£28,376,286	£7,780,352
Closing number of shares	21,459,289	17,897,321	5,076,057
Operating charges (note 2)	0.80%	0.80%	0.80%
Direct transaction costs	0.00%	0.04%	0.02%
Prices			
Highest share price	162.74	169.49	158.81
Lowest share price	142.98	152.96	113.86

## PERFORMANCE RECORD (Continued)

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1. The operating charges per share figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.
2. The operating charges percentage is based on the expenses incurred during the period annualised, as a proportion of the average net asset value of the Sub-fund plus the costs of the underlying holdings.

### **Risk Profile**

Based on past data, the Sub-fund is ranked a '5' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document (31 January 2022: ranked 5). The Sub-fund has been classed as 5 because its volatility has been measured as relatively high.

## PORTFOLIO STATEMENT

As at 31 January 2023

Holding	Value £	% of net assets
<b>Collective Investment Scheme (31.01.2022: 83.65%)</b>		
615,500 Artemis Corporate Bond	621,101	1.76
341,250 AXA Framlington Health	1,366,365	3.88
260,000 Fidelity Asia Pacific Opportunities	783,120	2.22
993,750 Fidelity Emerging Markets	1,713,225	4.86
647,500 Fidelity Index Japan	1,245,725	3.53
2,561,500 Fidelity Index UK	4,145,019	11.76
459,000 Fidelity Index World	1,232,094	3.50
1,282,000 Fidelity Index US	4,345,339	12.33
600,500 Franklin UK Equity Income	1,536,079	4.36
80,700 HSBC European Index	965,979	2.74
325,000 iShares Overseas Government Bond Index	408,100	1.16
1,792,000 Legal & General UK Mid Cap Index	1,088,819	3.09
1,157,500 Legal & General Global Inflation Linked Bond Index	683,041	1.94
625,000 Legal & General Global Infrastructure Index	500,875	1.42
450,000 LF Lightman European	699,480	1.98
473,500 FTF Martin Currie European Unconstrained	727,770	2.07
363,500 Legal & General Pacific Index	843,320	2.39
562,500 LF Gresham House UK Multi Cap Inc	914,063	2.59
301,750 Premier Miton Global Infrastructure Inc	416,415	1.18
77,500 Liontrust Special Situations Fund	368,559	1.05
797,500 Man GLG Japan CoreAlpha	1,803,945	5.12
1,435,000 Man GLG Sterling Corporate Bond	1,360,380	3.86
266,500 M&G Global Listed Infrastructure	442,657	1.26
102,000 SEI Liquid Alternative Hdg GBP Wealth	1,358,640	3.86
	<u>29,570,110</u>	<u>83.91</u>
<b>Exchange Traded Funds (31.01.2022: 7.68%)</b>		
6,025 JPM GBP Ultra-Short Income UCITS ETF	619,822	1.76
120,250 L&G ESG GBP Corporate Bond UCITS ETF	966,930	2.74
4,750 Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	507,585	1.44
103,200 WisdomTree Global Quality Div G UCITS ETF	2,666,687	7.57
	<u>4,761,024</u>	<u>13.51</u>
<b>Investments Trust (31.01.2022: 3.99%)</b>		
727,000 Augmentum Fintech PLC	705,190	2.00
	<u>705,190</u>	<u>2.00</u>
<b>REITs (31.01.2022: 0.45%)</b>		
	-	-
<b>Portfolio of investments (31.01.2022: 95.77%)</b>		
	<b>35,036,324</b>	<b>99.42</b>
<b>Net other assets (31.01.2022: 4.28%)</b>		
	<b>204,457</b>	<b>0.58</b>
	<u><b>35,240,781</b></u>	<u><b>100.00</b></u>

Note: The 31 January 2022 comparators percentages are based on Mid pricing and does not add up to 100%. The Mid to Bid adjustment for the year ended 31 January 2022 was (0.05%).

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

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	£
<b>Total sales for the year (note 14)</b>	<b>11,081,100</b>
Allianz Strategic Bond	574,196
Alternative Income REIT PLC	141,291
Artemis Corporate Bond	123,182
AXA Framlington Health	287,113
Baillie Gifford Japanese	843,560
Brown Advisory Global Leaders	909,240
Fidelity Emerging Markets	27,598
Fidelity Index UK	234,865
Fidelity Index US	185,222
Fidelity Index World	1,049,456
FTF Martin Currie European Unconstrained	1,011,750
HSBC European Index	293,913
JPM GBP Ultra-Short Income UCITS ETF	482,880
JPM Global Macro Opportunities	964,075
Legal & General Global Inflation Linked Bond Index	279,000
Legal & General Pacific Index	236,745
Legal & General UK Mid Cap Index	473,393
LF Gresham House UK Multi Cap Inc	151,180
Liontrust Special Situations Fund	493,535
Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	169,635
Man GLG Japan CoreAlpha	201,150
MS INVF Asia Opportunity	507,305
Premier Miton Global Infrastructure Inc	257,090
Schroder Sterling Corporate Bond	388,854
TR Property Investment Trust PLC	290,089
Vanguard Total International Bond Index Fund	504,783

The above sales represent all of the sales during the year.

**SUMMARY OF MATERIAL PORTFOLIO CHANGES (continued)**

	£
<b>Total purchases for the year (note 14)</b>	<b>17,533,069</b>
Allianz Strategic Bond	97,116
Artemis Corporate Bond	56,136
Augmentum Fintech PLC	167,247
AXA Framlington Health	240,273
Baillie Gifford Japanese	105,965
Brown Advisory Global Leaders	132,385
Fidelity Asia Pacific Opportunities	753,670
Fidelity Emerging Markets	499,948
Fidelity Index Japan	610,592
Fidelity Index UK	1,156,086
Fidelity Index US	1,684,754
Fidelity Index World	1,038,442
Franklin UK Equity Income	681,533
FTF Martin Currie European Unconstrained	351,945
HSBC European Index	265,030
JPM GBP Ultra-Short Income UCITS ETF	477,549
JPM Global Macro Opportunities	52,200
L&G ESG GBP Corporate Bond UCITS ETF	281,063
Legal & General Global Inflation Linked Bond Index	25,500
Legal & General Global Infrastructure Index	512,110
Legal & General Pacific Index	276,740
Legal & General UK Mid Cap Index	210,287
LF Gresham House UK Multi Cap Inc	355,678
LF Lightman European	659,555
Liontrust Special Situations Fund	57,534
Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	519,013
M&G Global Listed Infrastructure	102,004
Man GLG Japan CoreAlpha	680,640
Man GLG Sterling Corporate Bond	1,275,937
MS INVF Asia Opportunity	70,095
Premier Miton Global Infrastructure	300,030
SEI Liquid Alternative Hdg GBP Wealth	1,337,165
TR Property Investment Trust PLC	67,304
Vanguard Total International Bond Index Fund	534,478
WisdomTree Global Quality Div G UCITS ETF	1,897,065

The above purchases represent all of the purchases during the year.

## STATEMENT OF TOTAL RETURN

For the year ended 31 January

		2023		2022	
	Notes	£	£	£	£
Income					
Net capital losses	2		(1,009,879)		(636,347)
Revenue	3	653,738		289,827	
Expenses	4	(204,775)		(138,823)	
Interest payable and similar charges	6	(196)		(779)	
Net revenue before taxation		448,767		150,225	
Taxation	5	-		-	
Net revenue after taxation			448,767		150,225
Total return before distributions			(561,112)		(486,122)
Finance costs: distributions	6		(565,872)		(127,129)
<b>Changes in net assets attributable to shareholders from investment activities</b>			<b>(1,126,984)</b>		<b>(613,251)</b>

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 January

	2023	2022
	£	£
<b>Opening net assets attributable to shareholders</b>	30,369,894	10,281,987
Amounts receivable on creation of shares	7,465,058	22,617,473
Amounts payable on cancellation of shares	(2,065,958)	(2,249,817)
Dividend reinvested	598,771	326,660
Dilution levies	-	6,842
Changes in net assets attributable to shareholders from investment activities (see above)	(1,126,984)	(613,251)
<b>Closing net assets attributable to shareholders</b>	<b>35,240,781</b>	<b>30,369,894</b>

**BALANCE SHEET**

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As at	Notes	31.01.2023		31.01.2022	
		£	£	£	£
<b>ASSETS</b>					
Investment assets			35,036,324		29,070,408
<b>Current assets</b>					
Debtors	7	175,521		321,178	
Cash and bank balances	8	<u>194,594</u>		<u>1,144,548</u>	
<b>Total current assets</b>			<u>370,115</u>		<u>1,465,726</u>
<b>Total assets</b>			35,406,439		30,536,134
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	8	(42,319)		(12)	
Creditors	9	<u>(123,339)</u>		<u>(166,228)</u>	
<b>Total current liabilities</b>			<u>(165,658)</u>		<u>(166,240)</u>
<b>Net assets attributable to shareholders</b>			<u>35,240,781</u>		<u>30,369,894</u>

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 January 2023

### 1 Accounting policies

Accounting policies applied to the financial statements are noted on page 7 and 8.

### 2 Net capital losses

	2023	2022
	£	£
The net capital losses comprise:		
Non-derivative securities losses	(1,008,842)	(636,143)
Currency gains	221	46
Rebates from underlying holdings	302	-
Transaction charges (custodian)	(1,560)	(250)
Total net capital losses	<u>(1,009,879)</u>	<u>(636,347)</u>

### 3 Revenue

	2023	2022
	£	£
Non-taxable dividends	388,430	162,410
Interest distributions	196,130	66,098
Property income distributions (PIDs)	4,680	5,127
Bank interest	6,135	156
Investment adviser rebate	58,363	56,036
Total revenue	<u>653,738</u>	<u>289,827</u>

### 4 Expenses

	2023	2022
	£	£
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
Annual management charge	167,568	104,234
	<u>167,568</u>	<u>104,234</u>
<b>Payable to the depositary, associates of the depositary, and agents of either of them:</b>		
Depositary fee	18,000	18,099
Safe custody fee	2,712	1,707
	<u>20,712</u>	<u>19,806</u>
<b>Other expenses:</b>		
Audit fee	7,730	7,034
FCA fee	115	54
Other expenses	8,650	7,695
	<u>16,495</u>	<u>14,783</u>
Total expenses	<u>204,775</u>	<u>138,823</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Taxation

	2023	2022
	£	£
<b>(a) Analysis of charge in the year</b>		
UK corporation tax	-	-
Total tax charge for the year (note 5b)	-	-

**(b) Factors affecting current tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2022: 20.00%). The differences are explained below:

Net revenue before UK corporation tax	448,767	150,225
Corporation tax at 20.00% (2022:20.00%)	89,753	30,045
<b>Effects of:</b>		
Revenue not subject to taxation	(77,685)	(32,482)
Tax effect on rebates in capital	60	-
Excess management expenses (utilised)/not utilised	(12,128)	2,437
Total tax charge for the year (note 5a)	-	-

**(c) Provision for deferred taxation**

At 31 January 2023 there is a potential deferred tax asset of £145,224 (31 January 2022: £157,352) in relation to surplus management expenses. It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

6 Finance costs

	2023	2022
	£	£
Final dividend distribution	598,771	326,660
	598,771	326,660
Add: Revenue deducted on cancellation of shares	20,165	14,282
Deduct: Revenue received on issue of shares	(53,064)	(213,813)
<b>Net distribution for the year</b>	565,872	127,129
Interest payable and similar charges	196	779
<b>Total finance costs</b>	566,068	127,908
<b>Reconciliation of distributions</b>		
Net revenue after taxation	448,767	150,225
Equalisation from collectives allocated to revenue	104,252	-
Balance brought forward	26,667	3,571
Balance carried forward	(13,814)	(26,667)
<b>Net distribution for the year</b>	565,872	127,129

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>7 Debtors</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Amounts receivable on creation of shares	44	285,242
Amounts receivable on unsettled trades	162,560	-
Accrued income:		
Non-taxable dividends receivable	5,035	-
Prepayments	1,968	-
Investment adviser rebate receivable	5,914	35,936
<b>Total debtors</b>	<b>175,521</b>	<b>321,178</b>

<b>8 Cash and bank balances</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	194,594	1,144,548
Bank overdraft	(42,319)	(12)

<b>9 Creditors</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Amounts payable on cancellation of shares	13,291	1,744
Amounts payable on unsettled trades	75,300	140,090
Annual management charge payable	2,366	2,174
Other accrued expenses	32,382	22,220
<b>Total creditors</b>	<b>123,339</b>	<b>166,228</b>

**10 Shares held**

**Shares Held - A Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>95,943</b>
Shares issued during the year	130
Shares cancelled during the year	(34,762)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>61,311</b>

**Shares Held - B Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>925,666</b>
Shares issued during the year	297,062
Shares cancelled during the year	(335,458)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>887,270</b>

**Shares Held - C Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>17,897,321</b>
Shares issued during the year	4,501,038
Shares cancelled during the year	(939,070)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>21,459,289</b>

**Shares Held - US \$ Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>14,708</b>
Shares issued during the year	-
Shares cancelled during the year	-
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>14,708</b>

11 Risk management policies

**Market price risk**

In pursuing its investment objective as stated on page 30, the Sub-fund holds a number of financial instruments. The Sub-fund's financial instruments, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Sub-fund's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk is the risk that the value of the Sub-fund's investment holdings 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 mainly from uncertainty about future prices of financial instruments the Sub-fund holds. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.01.2023 would have increased/decreased by £3,503,632 (2022: £2,907,041).

**Foreign currency risk**

Foreign currency risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Sub-fund's investment portfolio is partly invested in collective investment schemes that are registered overseas and funds that invest in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to Sterling on or near the date of receipt.

A portion of the net assets of the Sub-fund is denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by currency movements.

Net currency assets and liabilities consist of:

	Net monetary assets and liabilities		Non-monetary assets and liabilities		Total net assets	
	£'000		£'000		£'000	
	31.01.2023	31.01.2022	31.01.2023	31.01.2022	31.01.2023	31.01.2022
Sterling	204	1,297	35,037	29,071	35,241	30,368
US Dollars	-	2	-	-	-	2
Euro	-	-	-	-	-	-
Total	204	1,299	35,037	29,071	35,241	30,370

**11 Risk management policies (continued)**

**Interest rate risk**

Interest rate risk is the risk to portfolio value due to changes in interest rates. The magnitude of the exposure from an adverse change in interest rates depends on the sensitivity of the instrument to changes in interest rates as well as the absolute change in interest rates. In general, values of long-term instruments are more sensitive to interest rate changes than the values of short-term instruments.

The sub-fund take on interest rate risk when the investment manager believes the expected returns compensate for the risk, limited by the investment objective, policy and any prospectus rules. The investment manager monitors the level of interest rate risk in the fund on a regular basis. In addition any cash deposits in the sub-fund are linked to SONIA, ensuring interest income increases as interest rates increase.

The table below details the interest rate risk profile at the balance sheet date:

	31.01.2023	31.01.2022
	£'000	£'000
Financial assets floating rate	195	1,145
Financial assets interest bearing instruments	6,526	4,814
Financial assets non-interest bearing instruments	28,685	24,577
Financial liabilities floating rate	(42)	-
Financial liabilities non-interest bearing instruments	(123)	(166)
	<b>35,241</b>	<b>30,370</b>

**Maturity of financial liabilities**

The financial liabilities of the Sub-fund as at 31 January 2023 are payable either within one year or on demand.

**Liquidity risk**

The Sub-fund's assets comprise mainly of readily realisable securities. The main liability of the Sub-fund is the redemption of any shares that the investors wish to sell. Assets of the Sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

**Credit risk**

Certain transactions in securities that the Sub-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 Sub-fund has fulfilled its responsibilities. The Sub-fund only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Credit risk also arises on cash held within financial institutions and debt securities. Credit risk on cash balances is mitigated by ensuring that cash is held with financial institutions that are at least investment grade credit related. Indirect credit risk arises from holdings in collectives that invest in debt securities as any default or perceived risk of default will affect the valuation of such holdings.

**Fair value disclosure**

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices and the lowest priority to un-observable inputs. The criteria applied to the fair values levels in these financial statements are as follows:

- 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.

Valuation Technique	31.01.2023		31.01.2022	
	Assets (£000's)	Liabilities (£000's)	Assets (£000's)	Liabilities (£000's)
Level 1: Unadjusted quoted price in an active market for an identical instrument	5,466	-	3,669	-
Level 2: Valuation techniques using observable inputs other than quoted prices within level 1	29,570	-	25,401	-
Total	35,036	-	29,070	-

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12 Contingent assets and liabilities

At 31 January 2023, the Sub-fund had no contingent liabilities or commitments (31 January 2022: £nil).

### 13 Post balance sheet events

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 31 January 2023. Since that date, the Sub-fund's quoted price has moved as follows for each share class:

Share Class	Price at 31 January 2023	Price at 30 May 2023
A Sterling Net Accumulation	164.75p	163.20p
B Sterling Net Accumulation	189.38p	187.81p
C Sterling Net Accumulation	155.91p	154.21p
US \$ Net Accumulation	187.85c	187.29c

### 14 Direct transaction costs

	2023		2022	
	£	%	£	%
<b>Analysis of total purchase costs</b>				
Purchases in the year before transaction costs	17,532,435		23,268,597	
Commissions	325	0.00%	665	0.00%
Taxes & levies	309	0.00%	4,456	0.02%
Total purchase costs	634	0.00%	5,121	0.02%

Total purchases including transaction costs

17,533,069	23,273,718
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	2023		2022	
	£	%	£	%
<b>Analysis of total sale costs</b>				
Sales in the year before transaction costs	11,082,035		3,937,820	
Commissions	(909)	(0.01%)	(197)	(0.01%)
Taxes & levies	(26)	(0.00%)	(3)	(0.00%)
Total sale costs	(935)	(0.01%)	(200)	(0.01%)

Total sales net of transaction costs

11,081,100	3,937,620
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The following represents the total of each type of transaction cost, expressed as a percentage of the Sub-fund's average net asset value in the year:

	2023		2022	
	£	% of average net asset value	£	% of average net asset value
Commissions	1,234	0.00%	862	0.01%
Taxes & Levies	335	0.00%	4,459	0.03%
	1,569	0.00%	5,321	0.04%

### 15 Portfolio Dealing Spread

The average portfolio dealing spread at 31 January 2023 is 0.12% (2022: 0.10%).

### 16 Related party transactions

Valu-Trac Investment Management Limited, as ACD is a related party due to its ability to act in respect of the operations of the Sub-fund.

Amounts paid to the ACD and its associates are disclosed in note 4. The amounts due to the ACD and its associates at the balance sheet date are disclosed in note 9. Amounts received from the ACD and its associates are disclosed in note 3. Amounts due from the ACD and its associates at the balance sheet date are disclosed in note 7.

## DISTRIBUTION TABLES

### Final distributions in pence per share

Group 1: Shares purchased prior to 01 February 2022

Group 2 : Shares purchased 01 February 2022 to 31 January 2023

Payment date	Unit Type	Share Class	Net Revenue 2023	Equalisation 2023	Distribution 2023	Distribution 2022
31.03.2023	group 1	A Sterling Net Accumulation	0.1284p	-	0.1284p	-
31.03.2023	group 2	A Sterling Net Accumulation	0.0000p	0.1284p	0.1284p	-
31.03.2023	group 1	B Sterling Net Accumulation	1.5517p	-	1.5517p	1.1382p
31.03.2023	group 2	B Sterling Net Accumulation	0.4403p	1.1114p	1.5517p	1.1382p
31.03.2023	group 1	C Sterling Net Accumulation	2.7023p	-	2.7023p	1.7685p
31.03.2023	group 2	C Sterling Net Accumulation	1.6017p	1.1006p	2.7023p	1.7685p
31.03.2023	group 1	US \$ Net Accumulation	-	-	-	-
31.03.2023	group 2	US \$ Net Accumulation	-	-	-	-

### Information for corporate shareholders

A corporate shareholder receives the distribution shown on the voucher enclosed with this report as follows:

- i) 65.24% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 34.76% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

## SUB-FUND OVERVIEW

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<b>Name of Sub-fund</b>	Discovery Cautious Fund
<b>Size of Sub-fund</b>	£55,480,787
<b>Launch date</b>	27 March 2019
<b>Sub-fund objective and policy</b>	<p>The objective of the Sub-fund is to provide returns through a combination of capital growth and income over a market cycle (5 years).</p> <p>The Sub-fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) to a range of eligible assets such as transferable securities (shares (including investment trusts), debentures, government and public securities, warrants or certificates representing certain securities), money market instruments, deposits, cash, property and commodities to provide diversification. The Sub-fund may also invest directly in such eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.</p> <p>The Sub-fund will be constructed based on the Investment Manager's assessment of the broader economic outlook as well as the absolute and relative attractiveness of different asset classes. This analysis, combined with the view on the potential risk profile and relative risk-adjusted returns of asset classes will determine the current asset allocation of the Sub-fund.</p> <p>Typically, the Sub-fund is likely to take a cautious approach and have greater exposure to underlying cash, fixed interest and property assets, and less exposure to underlying equities and commodities, than other funds in the range.</p> <p>The Investment Manager will use a wide range of assets and asset classes to provide a diversified investment approach and will actively alter the weights of the component parts where necessary with a view to achieving the investment objective. The Sub-fund might have the ability to be fully invested in one class of asset, but in reality, due to creating a diversified investment solution, it will be exposed to numerous managers, geographies, asset classes and styles.</p>
<b>Benchmark</b>	<p>The Sub-fund is not managed to or constrained by a benchmark, and nor does the ACD use a benchmark in order to assess performance.</p> <p>However, many funds sold in the UK are grouped into sectors by the Investment Association (the "IA") (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.</p> <p>In order to assess the Sub-fund's performance, investors may find it useful to compare the Sub-fund against the performance of the IA Mixed Investment 20-60% Shares, which serves as a method of comparing the Sub-fund's performance with other funds which have broadly similar characteristics.</p>
<b>Authorised Corporate Director (ACD)</b>	Valu-Trac Investment Management Limited
<b>Ex-distribution dates</b>	31 January, 30 April, 31 July and 31 October
<b>Distribution dates</b>	31 March, 30 June, 30 September and 31 December
<b>Individual Savings Account (ISA)</b>	The Sub-fund is a qualifying investment for inclusion in an ISA.

**SUB-FUND OVERVIEW (Continued)****Share class information**

Share class	Minimum initial subscription	Minimum subsequent investment	Minimum holding	Monthly savings available	Minimum redemption	Initial charge
<b>US \$ Net Accumulation</b>	\$5,000	\$1,500	\$5,000	Yes	\$1,500	5%
<b>€ Net Accumulation</b>	€ 5,000	€ 1,500	€ 5,000	Yes	€ 1,500	5%
<b>A Sterling Net Income</b>	£3,000	£1,000	£3,000	Yes	£1,000	5%
<b>B Sterling Net Income</b>	£3,000	£1,000	£3,000	Yes	£1,000	0%
<b>C Sterling Net Income*</b>	£5,000,000	£500,000	£5,000,000	Yes	£500,000	0%
<b>A Sterling Net Accumulation</b>	£3,000	£1,000	£3,000	Yes	£1,000	5%
<b>B Sterling Net Accumulation</b>	£3,000	£1,000	£3,000	Yes	£1,000	0%
<b>C Sterling Net Accumulation*</b>	£5,000,000	£500,000	£5,000,000	Yes	£500,000	0%
<b>D Sterling Net Accumulation</b>	£8,000,000	£1,000,000	£8,000,000	Yes	£1,000	0%

\* C Class shares are available only to investors with a separate arrangement with the ACD or the investment adviser.

**Annual management charges**

The annual management charge is as follows £25,000<sup>^</sup> plus:

In respect of the A shares, it is equal to 1.45% per annum of the net asset value of the A shares.

In respect of the B shares, it is equal to 0.70% per annum of the net asset value of the B shares.

In respect of the C shares, it is equal to 0.40% per annum of the net asset value of the C shares.

In respect of the D shares, it is equal to 0.25% per annum of the net asset value of the C shares.

In respect of the US \$ shares, it is equal to 1.55% per annum of the net asset value of the US \$ shares.

In respect of the Euro shares, it is equal to 1.55% per annum of the net asset value of the Euro shares.

<sup>^</sup>The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Prices Index) on 1 January each year (from 1 January 2020). In the event of negative inflation, the fixed element of the fee will remain unchanged.

**Investment adviser rebate**

The Investment Adviser of the Sub-fund had undertaken to absorb any costs that would otherwise cause the C shares to have ongoing charges in excess of 0.80%. This rebate arrangement ceased on 03 March 2023.

## INVESTMENT ADVISER'S REVIEW

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In the year to end of January 2023, the unit price of the Discovery Cautious Fund (as measured by the C Accumulation unit) fell by 4.03%, less than half a percent behind a generally accepted peer group average (which is an amalgam of “managed” investment funds that invest across the asset classes (such as equities, fixed income, commodities, alternative assets, property and so on) although the sector is limited to have between 20% and 60% of the assets in equities). The sector is known as the Mixed Investment 20% to 60% Shares which fell by 3.91% in the same period.

The portfolio is managed using the “fund of funds” approach which instead of investing directly in the shares or debt of companies such as Marks & Spencer, Apple, ITV, BMW, Sony, Proctor & Gamble, BP or any stock market listed company on any of the global stock exchanges, the manager invests in mutual funds – those offered by companies such as Invesco, PIMCO, Janus Henderson or abrdn. A typical “mutual fund” portfolio might contain shares of 50-100 underlying companies; a typical “fund of funds” portfolio might contain 15-30 funds. Therefore, do not be too concerned when looking at what looks like a relatively small “stock list”. In reality, a fund of funds portfolio is much more diversified than a typical mutual fund.

A great advantage of investing in a fund of funds portfolio is the benefit of diversification – each investment manager included in the fund can invest in different assets and asset classes – equity, debt, or property for instance. Further to this, the manager can dive deeper into different sub sectors – market capitalisation, term of debt, quality of debt, streams of income and so on which allows further diversification. Another advantage to this is “managing the manager” – the investment manager that runs a fund for Jupiter for example might be a “value” or a “growth” manager and adopt a different style to one from Ruffer. The role of a fund of funds manager is to balance and blend styles to deliver a portfolio that meets with the investment objectives.

The investment approach taken on the VT Discovery Cautious Fund is broadly “buy and hold.” In normal circumstances, do not expect the portfolio activity to be excessive. Remember, the underlying holdings within the fund managed by Liontrust for instance might well be constantly changing; trying to double guess what the manager is double guessing what the market is going to do is not the goal.

The last few years, from an investment manager perspective, has been incredibly difficult to navigate. The effects of the global economy pretty much closing down due to Covid are still being felt (even though the virus was first acknowledged in December 2019 and parts of China are still in lockdown). The global reaction from governments all over the world through furlough schemes, grants and stimulus cheques for instance has created a massive wave of inflation and interest rates have had to rise – substantially – to offset this. If the last few years were hard, the next few years are likely to be just as challenging as the world re-balances and adjusts to alternate factors affecting the capital markets.

Due to the rapidly changing circumstances in global economies, a “crazy” (is there another more apt word) political and geopolitical environment and consequential capital market movements, there have been quite a few changes to the portfolio in the most recent twelve months. At the end of January 2022, the Discovery Cautious portfolio contained twenty-nine investments. Twelve months later, this number has fallen by two to twenty-seven, but during the year the amount of holdings in the portfolio varied between twenty-six and thirty. Six new assets were introduced, another asset was sold entirely and then rebought at much more favourable levels. Eight investments were redeemed entirely. This portfolio activity doesn’t naturally feel “normal” as the approach taken in this mandate is to invest for the medium to long-term. But, when circumstances dictate and needs must, we are not afraid to take such a proactive stance to portfolio construction.

From a top-level view, the portfolio underwent some changes too as the table below highlights – with the exposure to the infrastructure and fixed income sectors being cut with “other” and equity being the recipients of the proceeds.

<b>31/01/2022</b>		<b>31/01/2023</b>
<b>42.75%</b>	<b>Equity</b>	<b>43.37%</b>
<b>5.04%</b>	<b>Infrastructure</b>	<b>4.03%</b>
<b>37.22%</b>	<b>Fixed Income</b>	<b>35.63%</b>
<b>8.81%</b>	<b>Cash</b>	<b>8.05%</b>
<b>6.18%</b>	<b>Other</b>	<b>8.92%</b>

Looking a little deeper into the portfolio composition, the exposure to US equities rose by roughly 1%, Europe was cut back by about 1.50% to now represent 3.55% of the total assets and global funds increased to 6.99% (from 5.57% a year ago). At a fixed income level the exposure to international sovereign bonds was cut and the allocation to domestic sovereign bonds increased. Strategic Fixed Income funds – i.e. those funds where the manager has a remit allowing them to invest across the credit spectrum and into government debt for instance almost doubled to end the period at 2.92%.

Within the “other” complex, the fund increased exposure to holdings where the managers gain their exposure through derivative based contracts rather than traditional equity and bond allocations thus providing greater diversity.

**Outlook:**

It feels like the capital markets are entering a “transitionary” period. 2022 saw interest rates rise in the UK, the US, Europe and many other global Central Banks followed their lead. The pace of the rate rises was incredible, with the Bank of England increasing the base rate at every one of their meetings in the year. The reason was to offset the rapidly rising inflation numbers which hit double digits in the UK and the US. The main reasons the inflation numbers took off were due to ongoing spending after the huge stimulus give-away post covid and the rapid rise of energy bills due to Russia invading Ukraine. Although the speed of the increase started to slow towards the end of the year, the likelihood of a recession in the majority of the mature economies of the world is increasing.

It feels like the world is now pricing corporate profits differently and capital markets are reacting accordingly. In a low interest rate environment, the “discount rate” applied to company earnings and profits and prospects is different to operating in a higher interest rate environment. Inflation at 10% has very different economic impacts compared to a 2% number. Assuming inflation isn't going back to 2% any time soon, and interest rates aren't heading back to zero, the attractiveness of certain stocks and sectors change because of their capital structure, target markets and so on. This will impact different stocks and different stock markets in different ways. Large Cap Technology companies have already started laying off workers (with over 100,000 redundancies announced this year alone) for instance as the high growth experienced in the last couple of years witnessed from these companies is unlikely to repeat for the next couple of years and this is where the “transition” is occurring.

As interest rates rise, the attractiveness of cash and fixed income as asset classes in their own right become more appealing which puts greater pressure on equities in the fight for capital. In a year where both equities and fixed income both fell – and both fell significantly – the yields now available to fixed income investors do look very appealing. On a risk adjusted basis, don't be surprised if this asset class performs admirably in 2023.

24 February 2023  
Richard Philbin  
Chief Investment Officer (Solutions)  
Hawksmoor Investment Management Limited

## PERFORMANCE RECORD

### Financial Highlights

#### C Sterling Net Income

	Year ended 31 January 2023	Year ended 31 January 2022	Year ended 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	103.92	102.47	105.34
Return before operating charges	(3.28)	4.16	(0.05)
Operating charges (note 1)	(0.81)	(0.83)	(0.83)
Return after operating charges *	(4.09)	3.33	(0.88)
Distributions on income shares	(2.28)	(1.88)	(1.99)
Closing net asset value per share	97.55	103.92	102.47
*after direct transactions costs of:	0.00	0.01	0.01
Performance			
Return after charges	(3.94%)	3.25%	(0.84%)
Other information			
Closing net asset value	£575,432	£408,494	£499,561
Closing number of shares	589,899	393,068	487,517
Operating charges (note 2)	0.80%	0.80%	0.80%
Direct transaction costs	0.00%	0.01%	0.01%
Prices			
Highest share price	105.33	108.99	107.28
Lowest share price	91.83	101.65	85.45

#### C Sterling Net Accumulation

	Year ended 31 January 2023	Year ended 31 January 2022	Year ended 31 January 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	109.14	105.65	106.43
Return before operating charges	(3.54)	4.35	0.07
Operating charges (note 1)	(0.86)	(0.86)	(0.85)
Return after operating charges *	(4.39)	3.49	(0.78)
Closing net asset value per share	104.75	109.14	105.65
Retained distributions on accumulation shares	2.36	1.95	2.02
*after direct transactions costs of:	0.00	0.01	0.01
Performance			
Return after charges	(4.03%)	3.30%	(0.73%)
Other information			
Closing net asset value	£46,741,953	£45,885,413	£29,318,675
Closing number of shares	44,622,641	42,041,436	27,749,919
Operating charges (note 2)	0.80%	0.80%	0.80%
Direct transaction costs	0.00%	0.01%	0.01%
Prices			
Highest share price	110.62	113.97	108.39
Lowest share price	97.48	104.81	86.34

**PERFORMANCE RECORD (Continued)**

<b>D Sterling Net Accumulation</b>		<b>Year ended 31 January 2023</b>	<b>Year ended 31 January 2022</b>	<b>Period from 21 May 2020 to 31 January 2021<sup>^</sup></b>
		GBP	GBP	GBP
Changes in net assets per share				
	Opening net asset value per share	112.41	108.71	100.00
	Return before operating charges	(3.60)	4.48	9.25
	Operating charges (note 1)	(0.77)	(0.78)	(0.54)
	Return after operating charges *	(4.37)	3.70	8.71
	Closing net asset value per share	108.04	112.41	108.71
	Retained distributions on accumulation shares	2.50	2.01	1.55
	*after direct transactions costs of:	0.00	0.01	0.01
Performance				
	Return after charges	(3.89%)	3.40%	8.71%
Other information				
	Closing net asset value	£8,264,611	£8,598,917	£5,315,158
	Closing number of shares	7,649,577	7,649,577	4,889,225
	Operating charges (note 2)	0.70%	0.71%	0.78%
	Direct transaction costs	0.00%	0.01%	0.01%
Prices				
	Highest share price	113.93	117.36	110.67
	Lowest share price	100.49	107.84	100.00

<sup>^</sup> Share class launched 21 May 2020

1. The operating charges per share figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.

2. The operating charges percentage is based on the expenses incurred during the period annualised, as a proportion of the average net asset value of the Sub-fund plus the costs of the underlying holdings.

**Risk Profile**

Based on past data, the Sub-fund is ranked a '4' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document (31 January 2022: ranked 4). The Sub-fund is ranked 4 because monthly historical performance data indicates that average rises and falls in market prices would have occurred historically.

## PORTFOLIO STATEMENT

As at 31 January 2023

Holding	Value £	% of net assets
<b>Collective Investments Scheme (31.01.2022: 76.71%)</b>		
11,935 AQR Global Risk Parity UCITS	1,514,074	2.73
2,598,500 Allianz Strategic Bond	2,638,257	4.76
2,524,000 Artemis Corporate Bond	2,546,968	4.59
914,000 BNY Mellon Global Infra Income	865,649	1.56
578,000 Fidelity Emerging Markets	996,472	1.80
5,470,000 Fidelity Index UK	6,676,135	12.03
1,085,000 Fidelity Index US	3,677,608	6.63
417,500 Fidelity Index World	1,120,695	2.02
1,690,000 Franklin UK Equity Income	2,764,840	4.98
1,323,000 HSBC Sterling Corporate Bond Index	1,110,923	2.00
1,063,500 iShares Overseas Corporate Bond Index	1,357,808	2.45
957,500 JPM Global Macro Opportunities	1,538,703	2.77
3,771,000 Legal & General Global Inflation Linked Bond Index	1,882,106	3.39
905,000 LF Lightman European	1,406,732	2.54
1,050,000 LF Gresham House UK Multi Cap Inc	1,706,250	3.08
369,000 FTF Martin Currie European Unconstrained	567,153	1.02
1,073,000 Man GLG Japan CoreAlpha	2,427,126	4.37
2,860,000 Man GLG Sterling Corporate Bond	2,711,280	4.89
485,000 Premier Miton Global Infrastructure	669,300	1.21
143,000 SEI Liquid Alternative Hdg GBP Wealth	1,904,760	3.43
	<b>40,082,839</b>	<b>72.25</b>
<b>Exchange Trade Funds (31.01.2022: 18.64%)</b>		
40,150 JPM GBP Ultra-Short Income UCITS ETF	4,130,431	7.44
360,750 L&G ESG GBP Corporate Bond UCITS	2,900,791	5.23
28,250 Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	3,018,795	5.44
41,250 Vanguard Total International Bond Index Fund	1,620,195	2.92
106,750 WisdomTree Global Quality Div G UCITS ETF	2,758,420	4.97
	<b>14,428,632</b>	<b>26.00</b>
<b>Investment Trusts (31.01.2022: 3.89%)</b>		
56,250 Cordiant Digital Infrastructure Ltd	2,813	0.01
748,932 Tufton Oceanic Assets Ltd	692,716	1.25
	<b>695,529</b>	<b>1.26</b>
<b>Portfolio of investments (31.01.2022: 99.24%)</b>	<b>55,207,000</b>	<b>99.51</b>
<b>Net other assets (31.01.2022: 0.79%)</b>	<b>273,787</b>	<b>0.49</b>
	<b>55,480,787</b>	<b>100.00</b>

Note: The 31 January 2022 comparators percentages are based on Mid pricing and does not add up to 100%. The Mid to Bid adjustment for the year ended 31 January 2022 was (0.03%).

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

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	£
<b>Total sales for the year (note 14)</b>	<b>25,973,238</b>
Allianz Strategic Bond	542,896
AQR Global Risk Parity UCITS	125,795
Artemis Corporate Bond	495,570
Baillie Gifford Japanese	925,939
Baillie Gifford Strategic Bond	647,345
BNY Mellon Global Infra Income	24,710
Brown Advisory Global Leaders	1,764,151
Cordiant Digital Infrastructure Ltd	830,327
Fidelity Emerging Markets	137,625
Fidelity Index UK	1,358,941
Fidelity Index US	746,831
Fidelity Index World	267,050
Franklin UK Equity Income	192,150
FTF Martin Currie European Unconstrained	2,379,900
HSBC Sterling Corporate Bond Index	266,223
iShares Overseas Corporate Bond Index	245,330
JPM GBP Ultra-Short Income UCITS ETF	859,700
JPM Global Macro Opportunities	673,483
L&G ESG GBP Corporate Bond	136,719
Legal & General Global Inflation Linked Bond Index	1,547,538
Legal & General UK Mid Cap Index	1,997,287
LF Gresham House UK Multi Cap Inc	474,445
Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	972,613
Man GLG Japan CoreAlpha	308,848
Nomura Funds Ireland-Global Dynamic Bond	956,572
Schroder Sterling Corporate Bond	1,701,190
SEI Liquid Alternative Hdg GBP Wealth	67,600
TR Property Investment Trust PLC	570,381
Tufton Oceanic Assets Ltd	382,184
Vanguard Global Bond Index	2,524,513
Vanguard Total International Bond Index Fund	1,707,067
WisdomTree Global Quality Div G UCITS ETF	142,315

**SUMMARY OF MATERIAL PORTFOLIO CHANGES (continued)**

	£
<b>Total purchases for the year (note 14)</b>	<b>29,696,333</b>
Allianz Strategic Bond	1,148,711
AQR Global Risk Parity UCITS	312,699
Artemis Corporate Bond	912,569
Baillie Gifford Japanese	82,350
BNY Mellon Global Infra Income	233,960
Brown Advisory Global Leaders	249,645
Fidelity Emerging Markets	336,418
Fidelity Index UK	2,213,004
Fidelity Index US	1,359,179
Fidelity Index World	1,352,176
Franklin UK Equity Income	1,639,748
FTF Martin Currie European Unconstrained	480,605
HSBC Sterling Corporate Bond Index	563,745
iShares Overseas Corporate Bond Index (UK)	220,429
JPM GBP Ultra-Short Income UCITS ETF	457,239
JPM Global Macro Opportunities	363,950
L&G ESG GBP Corporate Bond UCITS ETF	331,316
Legal & General Global Inflation Linked Bond Index	317,079
Legal & General UK Mid Cap Index	80,112
LF Gresham House UK Multi Cap Inc	189,311
LF Lightman European	1,357,069
Lyxor Core FTSE Actuaries UK Gilts(DR)UCITS ETF	3,111,469
Man GLG Japan CoreAlpha Professional Acc	1,154,345
Man GLG Sterling Corporate Bond	2,505,509
Nomura Funds Ireland-Global Dynamic Bond	201,666
Premier Miton Global Infrastructure	735,620
Schroder Sterling Corporate Bond	269,868
SEI Liquid Alternative Hdg GBP Wealth	1,885,345
TR Property Investment Trust PLC	61,577
Tufton Oceanic Assets Ltd	550,452
Vanguard Global Bond Index	250,097
Vanguard Total International Bond Index Fund	3,465,481
WisdomTree Global Quality Div G UCITS ETF	1,303,590

The above purchases represent all of the purchases during the year.

## STATEMENT OF TOTAL RETURN

For the year ended 31 January

		2023		2022	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2		(3,485,979)		483,844
Revenue	3	1,520,459		860,085	
Expenses	4	(271,948)		(234,968)	
Interest payable and similar charges	6	<u>(323)</u>		<u>(1,481)</u>	
Net revenue before taxation		1,248,188		623,636	
Taxation	5	<u>(110,318)</u>		<u>(32,688)</u>	
Net revenue after taxation			<u>1,137,870</u>		<u>590,948</u>
Total return before distributions			(2,348,109)		1,074,792
Finance costs: distributions	6		<u>(1,279,577)</u>		<u>(816,645)</u>
<b>Changes in net assets attributable to shareholders from investment activities</b>			<u>(3,627,686)</u>		<u>258,147</u>

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 January

	2023	2022
	£	£
<b>Opening net assets attributable to shareholders</b>	54,871,659	35,058,767
Amounts receivable on creation of shares	7,465,542	22,361,194
Amounts payable on cancellation of shares	(4,500,976)	(3,645,117)
Dividends reinvested	1,272,248	838,668
Changes in net assets attributable to shareholders from investment activities (see above)	<u>(3,627,686)</u>	<u>258,147</u>
<b>Closing net assets attributable to shareholders</b>	<u>55,480,787</u>	<u>54,871,659</u>

## BALANCE SHEET

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As at	Notes	31.01.2023		31.01.2022	
		£	£	£	£
<b>ASSETS</b>					
Investment assets			55,207,000		54,433,664
<b>Current assets</b>					
Debtors	7	157,038		139,189	
Cash and bank balances	8	342,264		464,280	
<b>Total current assets</b>			<u>499,302</u>	<u>464,280</u>	<u>603,469</u>
<b>Total assets</b>			55,706,302		55,037,133
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Distribution payable on income shares		(3,825)		(1,471)	
Bank overdraft	8	(50,910)		(13,690)	
Creditors	9	<u>(170,780)</u>		<u>(150,313)</u>	
<b>Total current liabilities</b>			<u>(225,515)</u>	<u>(165,474)</u>	
<b>Net assets attributable to shareholders</b>			<u>55,480,787</u>		<u>54,871,659</u>

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 January 2023

### 1 Accounting policies

Accounting policies applied to the financial statements are noted on page 7 and 8.

### 2 Net capital (losses)/gains

	2023	2022
	£	£
The net capital (losses)/gains comprise:		
Non-derivative securities (losses)/gains	(3,472,826)	485,261
Currency (losses)	(10,970)	(140)
Transaction charges (custodian)	(2,183)	(1,277)
Total net capital (losses)/gains	<u>(3,485,979)</u>	<u>483,844</u>

### 3 Revenue

	2023	2022
	£	£
Non-taxable dividends	696,599	460,198
Interest distributions	789,690	377,393
Bank interest	4,727	336
Investment adviser rebate	29,443	22,158
Total revenue	<u>1,520,459</u>	<u>860,085</u>

### 4 Expenses

	2023	2022
	£	£
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
Annual management charge	234,784	200,691
<b>Payable to the depositary, associates of the depositary, and agents of either of them:</b>		
Depositary fee	20,014	18,326
Safe custody fee	3,985	4,387
	<u>23,999</u>	<u>22,713</u>
<b>Other expenses:</b>		
Audit fee	7,730	7,034
FCA fee	47	54
Other expenses	5,388	4,476
	<u>13,165</u>	<u>11,564</u>
Total expenses	<u>271,948</u>	<u>234,968</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Taxation

	2023 £	2022 £
<b>(a) Analysis of charge in the year</b>		
UK corporation tax	110,318	32,688
Total tax charge for the year (note 5b)	110,318	32,688

**(b) Factors affecting current tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2022: 20.00%)

The differences are explained below:

Net revenue before UK corporation tax	1,248,188	623,636
Corporation tax at 20.00% (2022: 20.00%)	249,638	124,727
<b>Effects of:</b>		
Revenue not subject to taxation	(139,320)	(92,039)
Total tax charge for the year (note 5a)	110,318	32,688

**(c) Provision for deferred taxation**

At 31 January 2023 (31 January 2022: £Nil) there is no potential deferred tax asset or liability.

6 Finance costs

	2023 £	2022 £
Interim dividend distributions	916,658	650,595
Final dividend distribution	367,026	196,687
	1,283,684	847,282
Add: Revenue deducted on cancellation of shares	10,656	9,641
Deduct: Revenue received on issue of shares	(14,763)	(40,278)
	1,279,577	816,645
<b>Net distribution for the year</b>		
Interest payable and similar charges	323	1,481
<b>Total finance costs</b>	1,279,900	818,126
<b>Reconciliation of distributions</b>		
Net revenue after taxation	1,137,870	590,948
Expenses paid from capital (net of rebate)	242,505	212,810
Relief on expenses allocated to capital	(48,501)	(42,562)
Balance brought forward	(60,992)	(5,543)
Balance carried forward	8,695	60,992
<b>Net distribution for the year</b>	1,279,577	816,645

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>7 Debtors</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Amounts receivable on creation of shares	20,000	20,000
Amounts receivable on unsettled trades	41,600	65,670
Accrued income:		
Non-taxable dividends receivable	49,424	23,627
Interest distributions receivable	41,656	15,541
Prepayments	1,979	10
Investment adviser rebate receivable	2,379	14,341
<b>Total debtors</b>	<b>157,038</b>	<b>139,189</b>

<b>8 Cash and bank balances</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	342,264	464,280
Bank overdraft	(50,910)	(13,690)

<b>9 Creditors</b>	<b>31.01.2023</b>	<b>31.01.2022</b>
	<b>£</b>	<b>£</b>
Amounts payable on cancellation of shares	22,767	43,195
Amounts payable on unsettled trades	-	42,844
Annual management charge payable	20,603	2,174
Other accrued expenses	17,092	29,412
UK corporation tax payable	110,318	32,688
<b>Total creditors</b>	<b>170,780</b>	<b>150,313</b>

**10 Shares held**

**Shares Held - C Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>42,041,436</b>
Shares issued during the year	6,634,602
Shares cancelled during the year	(4,053,397)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>44,622,641</b>

**Shares Held - C Sterling Net Income**

<b>Opening shares at 01.02.2022</b>	<b>393,068</b>
Shares issued during the year	452,200
Shares cancelled during the year	(255,369)
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>589,899</b>

**Shares Held - D Sterling Net Accumulation**

<b>Opening shares at 01.02.2022</b>	<b>7,649,577</b>
Shares issued during the year	-
Shares cancelled during the year	-
Shares converted during the year	-
<b>Closing shares as at 31.01.2023</b>	<b>7,649,577</b>

**11 Risk management policies**

In pursuing its investment objective as stated on page 49, the Sub-fund holds a number of financial instruments. The Sub-fund's financial instruments, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Sub-fund's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

11 Risk management policies (continued)

**Market price risk**

Market price risk is the risk that the value of the Sub-fund's investment holdings 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 mainly from uncertainty about future prices of financial instruments the Sub-fund holds. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.01.2023 would have increased/decreased by £5,520,700 (2022: £5,443,366).

**Foreign currency risk**

Foreign currency risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Sub-fund's investment portfolio is partly invested in collective investment schemes that are registered overseas and funds that invest in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to Sterling on or near the date of receipt.

A portion of the net assets of the Sub-fund is denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by currency movements.

Net currency assets and liabilities consist of:

	Net monetary assets and liabilities		Non-monetary assets and liabilities		Total net assets	
	£'000		£'000		£'000	
	31.01.2023	31.01.2022	31.01.2023	31.01.2022	31.01.2023	31.01.2022
Sterling	260	438	52,894	53,879	53,154	54,317
US Dollars	14	-	2,313	555	2,327	555
Total	274	438	55,207	54,434	55,481	54,872

If foreign currency rates at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.01.2023 would have increased/decreased by £233,000 (2022: £56,000).

**Interest rate risk**

Interest rate risk is the risk to portfolio value due to changes in interest rates. The magnitude of the exposure from an adverse change in interest rates depends on the sensitivity of the instrument to changes in interest rates as well as the absolute change in interest rates. In general, values of long-term instruments are more sensitive to interest rate changes than the values of short-term instruments.

The sub-fund take on interest rate risk when the investment manager believes the expected returns compensate for the risk, limited by the investment objective, policy and any prospectus rules. The investment manager monitors the level of interest rate risk in the fund on a regular basis. In addition any cash deposits in the sub-fund are linked to SONIA, ensuring interest income increases as interest rates increase.

The table below details the interest rate risk profile at the balance sheet date:

	31.01.2023	31.01.2022
	£'000	£'000
Financial assets floating rate	342	464
Financial assets interest bearing instruments	23,206	25,170
Financial assets non-interest bearing instruments	32,158	29,404
Financial liabilities floating rate	(51)	(14)
Financial liabilities non-interest bearing instruments	(175)	(152)
	<b>55,480</b>	<b>54,872</b>

**11 Risk management policies (continued)**

**Maturity of financial liabilities**

The financial liabilities of the Sub-fund as at 31 January 2023 are payable either within one year or on demand.

**Liquidity risk**

The Sub-fund's assets comprise mainly of readily realisable securities. The main liability of the Sub-fund is the redemption of any shares that the investors wish to sell. Assets of the Sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

**Credit risk**

Certain transactions in securities that the Sub-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 Sub-fund has fulfilled its responsibilities. The Sub-fund only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Credit risk also arises on cash held within financial institutions and debt securities. Credit risk on cash balances is mitigated by ensuring that cash is held with financial institutions that are at least investment grade credit related. Indirect credit risk arises from holdings in collectives that invest in debt securities as any default or perceived risk of default will affect the valuation of such holdings.

**Fair value disclosure**

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices and the lowest priority to un-observable inputs. The criteria applied to the fair values levels in these financial statements are as follows:

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.

Valuation Technique	31.01.2023		31.01.2022	
	Assets (£000's)	Liabilities (£000's)	Assets (£000's)	Liabilities (£000's)
Level 1: Unadjusted quoted price in an active market for an identical instrument	15,124	-	12,347	-
Level 2: Valuation techniques using observable inputs other than quoted prices within level 1	40,083	-	42,087	-
Total	55,207	-	54,434	-

**12 Contingent assets and liabilities**

At 31 January 2023, the Sub-fund had no contingent liabilities or commitments (31 January 2022: £nil).

**13 Post balance sheet events**

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 31 January 2023. Since that date, the Sub-fund's quoted price has moved as follows for each share class:

Share Class	Price (GBP) at 31 January 2023	Price at 30 May 2023
C Sterling Net Accumulation	104.75p	103.21p
C Sterling Net Income	97.55p	95.43p
D Sterling Net Accumulation	108.04p	106.50p

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 14 Direct transaction costs

	2023		2022	
	£	%	£	%
<b>Analysis of total purchase costs</b>				
Purchases in the year before transaction costs	29,695,017		37,233,885	
Commissions	145	0.00%	2,040	0.01%
Taxes & Levies	1,171	0.00%	1,283	0.00%
Total purchase costs	<u>1,316</u>	<u>0.00%</u>	<u>3,323</u>	<u>0.01%</u>
Total purchases including transaction costs	<u>29,696,333</u>		<u>37,237,208</u>	

	2023		2022	
	£	%	£	%
<b>Analysis of total sale costs</b>				
Sales in the year before transaction costs	25,973,458		18,049,589	
Commissions	(217)	(0.00%)	(1,075)	(0.01%)
Taxes	(3)	(0.00%)	(10)	(0.00%)
Total sale costs	<u>(220)</u>	<u>(0.00%)</u>	<u>(1,085)</u>	<u>(0.01%)</u>
Total sales net of transaction costs	<u>25,973,238</u>		<u>18,048,504</u>	

The following represents the total of each type of transaction cost, expressed as a percentage of the Sub-fund's average net asset value in the year:

	2023		2022	
	£	% of average net asset value	£	% of average net asset value
Commissions	362	0.00%	3,115	0.01%
Taxes	1,174	0.00%	1,293	0.00%
	<u>1,536</u>	<u>0.00%</u>	<u>4,408</u>	<u>0.01%</u>

### 15 Portfolio Dealing Spread

The average portfolio dealing spread at 31 January 2023 is 0.09% (2022: 0.06%).

### 16 Related party transactions

Valu-Trac Investment Management Limited, as ACD is a related party due to its ability to act in respect of the operations of the Sub-fund.

Amounts paid to the ACD and its associates are disclosed in note 4. The amounts due to the ACD and its associates at the balance sheet date are disclosed in note 9. Amounts received from the ACD and its associates are disclosed in note 3. Amounts due from the ACD and its associates at the balance sheet date are disclosed in note 7.

## DISTRIBUTION TABLES

### Q1 Interim distributions in pence per share

Group 1: Shares purchased prior to 01 February 2022

Group 2 : Shares purchased 01 February 2022 to 30 April 2022

Payment date	Unit Type	Share Class	Net Revenue 2022	Equalisation 2022	Distribution 2022	Distribution 2021
30.06.2022	group 1	C Sterling Net Accumulation	0.4297p	-	0.4297p	0.4305p
30.06.2022	group 2	C Sterling Net Accumulation	0.1783p	0.2514p	0.4297p	0.4305p
30.06.2022	group 1	C Sterling Net Income	0.4649p	-	0.4649p	0.4175p
30.06.2022	group 2	C Sterling Net Income	0.3338p	0.1311p	0.4649p	0.4175p
30.06.2022	group 1	D Sterling Net Accumulation	0.5091p	-	0.5091p	0.4430p
30.06.2022	group 2	D Sterling Net Accumulation	0.5091p	-	0.5091p	0.4430p

### Q2 Interim distributions in pence per share

Group 1: Shares purchased prior to 01 May 2022

Group 2 : Shares purchased 01 May 2022 to 31 July 2022

Payment date	Unit Type	Share Class	Net Revenue 2022	Equalisation 2022	Distribution 2022	Distribution 2021
30.09.2022	group 1	C Sterling Net Accumulation	0.7456p	-	0.7456p	0.7108p
30.09.2022	group 2	C Sterling Net Accumulation	0.5714p	0.1742p	0.7456p	0.7108p
30.09.2022	group 1	C Sterling Net Income	0.7074p	-	0.7074p	0.6867p
30.09.2022	group 2	C Sterling Net Income	0.2898p	0.4176p	0.7074p	0.6867p
30.09.2022	group 1	D Sterling Net Accumulation	0.7684p	-	0.7684p	0.7316p
30.09.2022	group 2	D Sterling Net Accumulation	0.7684p	-	0.7684p	0.7316p

### Q3 Interim distributions in pence per share

Group 1: Shares purchased prior to 01 August 2022

Group 2 : Shares purchased 01 August 2022 to 31 October 2022

Payment date	Unit Type	Share Class	Net Revenue 2022	Equalisation 2022	Distribution 2022	Distribution 2021
30.12.2022	group 1	C Sterling Net Accumulation	0.4901p	-	0.4901p	0.4224p
30.12.2022	group 2	C Sterling Net Accumulation	0.3633p	0.1268p	0.4901p	0.4224p
30.12.2022	group 1	C Sterling Net Income	0.4617p	-	0.4617p	0.4054p
30.12.2022	group 2	C Sterling Net Income	0.0308p	0.4309p	0.4617p	0.4054p
30.12.2022	group 1	D Sterling Net Accumulation	0.5052p	-	0.5052p	0.4349p
30.12.2022	group 2	D Sterling Net Accumulation	0.5052p	-	0.5052p	0.4349p

### Final distributions in pence per share

Group 1: Shares purchased prior to 01 November 2022

Group 2 : Shares purchased 01 November 2022 to 31 January 2023

Payment date	Unit Type	Share Class	Net Revenue 2023	Equalisation 2023	Distribution 2023	Distribution 2022
31.03.2023	group 1	C Sterling Net Accumulation	0.6917p	-	0.6917p	0.3910p
31.03.2023	group 2	C Sterling Net Accumulation	0.4504p	0.2413p	0.6917p	0.3910p
31.03.2023	group 1	C Sterling Net Income	0.6483p	-	0.6483p	0.3743p
31.03.2023	group 2	C Sterling Net Income	0.6202p	0.0281p	0.6483p	0.3743p
31.03.2023	group 1	D Sterling Net Accumulation	0.7132p	-	0.7132p	0.4031p
31.03.2023	group 2	D Sterling Net Accumulation	0.7132p	-	0.7132p	0.4031p

## DISTRIBUTION TABLES (Continued)

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### Information for corporate shareholders

A corporate shareholder receives the distribution shown on the voucher enclosed with this report as follows:

- i) 46.72% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 53.28% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

## INFORMATION FOR INVESTORS

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### Distribution

Distributions of the revenue of the Company will be made to shareholders on or before 31 March each year and interim allocations of revenue on or before 30 June, 30 September and 31 December for Discovery Balanced Fund and for Discovery Cautious Fund. For Discovery Growth Fund distribution is annually on 31 March.

### Individual shareholders

**Income tax:** Tax-free annual dividend allowance now standing at £2,000 (2022/23). UK resident shareholders are now subject to new, higher rates of tax on dividend income in excess of the annual allowance. UK resident shareholders are subject to tax on dividend income in excess of the annual allowance.

**Capital gains tax:** Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, the first £12,300 (2022/23) of gains each year are presently tax free for individuals. Gains in excess of that amount are charged at the rate of tax applicable to the individual tax payer.

### Taxation

The Company will pay corporation tax on its profits in the Discovery Cautious Fund for the year ended 31 January 2023. No corporation tax is payable in Discovery Balanced Fund and Discovery Growth Fund. Capital gains within the Company will not be taxed.

### Corporate shareholders

Companies resident for tax purposes in the UK which hold shares should note that OEIC distributions are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which has been subject to income tax at prevailing rates and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

The above information on taxation is only a general summary, and shareholders should consult their own tax advisors in relation to their own circumstances. Shareholders should also note that the position as outlined may change to reflect future changes in tax legislation.

### Issue and redemption of shares

Valu-Trac Investment Management Limited is the ACD and Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours between 8.30am and 5.30pm. Instructions may be given by email to the below email addresses or by sending an application form to the Registrar. Application forms are available from the Registrar.

For Discovery Balanced Fund, Discovery Growth Fund and Discovery Cautious Fund; [discovery@valu-trac.com](mailto:discovery@valu-trac.com).

The price of shares will be determined by reference to a valuation of the Company's net assets at 12 noon on each dealing day.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the business day following the valuation point by reference to which the purchase price is determined. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Certificates will not be issued. Statements in respect of periodic distributions of revenue will show the number of shares held by the recipient in respect of which the distribution is made. Individual statements of a shareholder's shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the next valuation point after receipt by the ACD of a request for redemption.

The most recent issue and redemption prices are available from the ACD.

## INFORMATION FOR INVESTORS (Continued)

### Remuneration

The ACD is subject to a remuneration policy which meets the requirements of the Undertakings for Collective Investment in Transferable Securities Directive (UCITS) as set out in SYSC 19E of the FCA Handbook.

The policy is designed to ensure practices for employee remuneration are consistent with, and promote, sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instrument of incorporation of the funds managed, and does not impair the ACD compliance with its duty to act in the best interests of the funds it manages.

The ACD has reviewed the Remuneration Policy and its application in the last year which has resulted in no material changes to the policy or irregularities to process.

The ACD is required to disclose the total remuneration it pays to its staff during the financial year, split into fixed and variable remuneration, with separate aggregate disclosure for staff whose actions may have a material impact to the risk profile of a fund or the ACD itself. This includes executives, senior risk and compliance staff and certain senior managers.

30.09.2022	Number of Beneficiaries	Fixed Remuneration	Variable Remuneration Paid	Total Remuneration Paid
Total remuneration paid by the ACD during the year	95	£ 2,760,167	£ nil	£ 2,760,167
Remuneration paid to employees of the ACD who have a material impact on the risk profile of the UK UCITS	8	£ 492,146	£ nil	£ 492,146
Senior Management	18	£ 1,042,368	£ nil	£ 1,042,368
Control Functions	13	£ 652,722	£ nil	£ 652,722
Employees receiving total remuneration that takes them into the same remuneration brackets as senior management and risk takers	3	£ 149,085	£ nil	£ 149,085

Further information is available in the ACD's Remuneration Policy document which can be obtained from <https://www.valu-trac.com/Pillar%203%202021-09.pdf>. A paper copy of the remuneration policy is available on request from the registered office of the Authorised Corporate Director free of charge.

**CORPORATE DIRECTORY**

<p><b>Authorised Corporate Director &amp; Registrar</b></p>	<p>Valu-Trac Investment Management Limited Orton Fochabers Moray IV32 7QE</p> <p>Telephone: 01343 880344 Fax: 01343 880267 Email: discovery@valu-trac.com</p> <p>Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648</p>
<p><b>Investment Adviser to 22 March 2022</b></p>	<p>Wellian Investment Solutions Limited 77 Mount Ephraim Tunbridge Wells Kent TN4 8BS</p> <p>Authorised and regulated by the Financial Conduct Authority</p>
<p><b>Investment Adviser from 23 March 2022</b></p>	<p>Hawksmoor Investment Management Limited 17 Dix's Field Exeter EX1 1QA</p> <p>Authorised and regulated by the Financial Conduct Authority</p>
<p><b>Depositary</b></p>	<p>NatWest Trustee and Depositary Services Limited House A Floor 0, 175 Glasgow Road Gogarburn Edinburgh EH12 1HQ</p> <p>Authorised regulated by the Financial Conduct Authority</p>
<p><b>Auditor</b></p>	<p>Johnston Carmichael LLP Chartered Accountants Commerce House South Street Elgin IV30 1JE</p>

## Statement by the Authorised Fund Manager (AFM) to the unitholders of the Discovery Balanced Fund on the outcome of the AFM's assessment of the value provided to unitholders

For the year ended 31 January 2023

This assessment is to establish what the Discovery Balanced Fund (the Fund) has delivered to you in return for the price you have had to pay.

Our assessment has been conducted against the seven factors outlined by the FCA and the Fund has been rated via a 'traffic light' system, where green (G) indicates receiving good value, amber (A) indicates receiving reasonable value and red (R) indicates not receiving good value.

The dashboard below shows the overall summary of this assessment, **as at 31 January 2023**:

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Balanced Fund	G	R	G	G	A	G	G	A
Class A Sterling Net Accumulation	G	R	R	G	R	G	R	R
Class A Sterling Net Income	G	R	R	G	R	G	R	R
Class B Sterling Net Accumulation	G	R	G	G	A	G	G	A
Class B Sterling Net Income	G	R	G	G	A	G	G	A
Class C Sterling Net Accumulation	G	R	G	G	G	G	G	A
Class C Sterling Net Income	G	R	G	G	G	G	G	A

The dashboard below shows the overall summary for the previous assessment i.e., carried out as at 31 January 2022:

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Balanced Fund	G	A	G	G	G	G	G	A
Class A Sterling Net Accumulation	G	A	R	G	G	G	G	A
Class A Sterling Net Income	G	A	R	G	G	G	G	A
Class B Sterling Net Accumulation	G	A	G	G	G	G	G	A
Class B Sterling Net Income	G	A	G	G	G	G	G	A
Class C Sterling Net Accumulation	G	A	G	G	G	G	G	A
Class C Sterling Net Income	G	A	G	G	G	G	G	A

The Fund was launched on 21 March 2005.

The AFM is the Authorised Corporate Director (ACD) of the company, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is Hawksmoor Investment Management Limited. Hawksmoor Investment Management Limited were appointed in March 2022, replacing Wellian Investment Solutions. Both Hawksmoor and Wellian are part of Hurst Point Group.

The objective of the Fund is to provide returns through a combination of capital growth and income over a market cycle (5 years).

The Fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) to a range of eligible assets such as transferable securities (shares (including investment trusts), debentures, government and public securities, warrants or certificates representing certain securities), money market instruments, deposits, cash, property and commodities to provide diversification. The Fund may also invest directly in such eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.

The Fund will be constructed based on the Investment Manager's assessment of the broader economic outlook as well as the absolute and relative attractiveness of different asset classes. This analysis, combined with the view on the potential risk profile and relative risk-adjusted returns of asset classes will determine the current asset allocation of the Fund.

Typically, the Fund is likely to have a balanced exposure to underlying equities and commodities, on the one hand, and underlying cash, fixed interest and property assets on the other.

The Investment Manager will use a wide range of assets and asset classes to provide a diversified investment approach and will actively alter the weights of the component parts where necessary with a view to achieving the investment objective. The Fund might have the ability to be fully invested in one class of asset, but in reality, due to creating a diversified investment solution, it will be exposed to numerous managers, geographies, asset classes and styles.

The value of each share class at the end of the last five financial years are as follows:

<b>At and for the year ended</b>					
	<b>31-Jan-23</b>	<b>31-Jan-22</b>	<b>31-Jan-21</b>	<b>31-Jan-20</b>	<b>31-Jan-19</b>
<b>Value of Fund</b>					
Class A Sterling Net Accumulation	£1.57m	£2.05m	£3.14m	£4.06m	£6.76m
Class A Sterling Net Income	£0.66m	£0.92m	£1.00m	£1.14m	£1.54m
Class B Sterling Net Accumulation	£2.43m	£3.11m	£5.94m	£6.32m	£6.52m
Class B Sterling Net Income	£2.85m	£3.12m	£4.01m	£4.17m	£4.61m
Class C Sterling Net Accumulation	£86.25m	£87.43m	£55.07m	£29.88m	£0.84m
Class C Sterling Net Income	£0.84m	£0.91m	£0.10m	£0.12m	£0.00m

*Source: Valu-Trac*

In carrying out the assessment of value the following criteria were considered:

### **1. Quality of service**

The AFM considers that a good level of service was provided to unitholders by all parties involved commensurate to the amount paid by the Fund for those services. The AFM monitors the following operational services:

Depository – NatWest Trustee and Depository Services Limited

Custodian – RBC Investor Services Trust, UK branch (RBC)

The external audit is conducted by Johnston Carmichael LLP.

These services are essential in ensuring that the Fund operated efficiently and in the case of the Depository and Custodian the service is supervised on an on-going daily basis by the AFM. As a unitholder this means that you can be certain that your requests such as investment and redemption of the Fund's units will always be carried out exactly as set out in the documentation.

Valu-Trac does not delegate any of the core operating functions of the Fund such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the unitholders can be certain that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. The AFM works closely with the investment manager to coordinate any required investment communications.

The AFM has concluded that the unitholders within the Fund are receiving good value for the quality of services provided by each party (detailed analysis on how we have arrived at this conclusion can be provided on request).

## 2. Performance

The AFM has assessed performance of the Fund net (after) of all the charges that are outlined in its prospectus.

The objective of the Fund is to provide returns through a combination of capital growth and income over a market cycle (five years). The Fund is not managed to, nor constrained by, a specific benchmark; however, to aid comparison, fund performance may be compared to that of the IA Mixed Investment 40%-85% Shares Sector (the comparator).

As such the time horizon used to assess performance is five years, however shorter periods are also reviewed to provide context for longer term performance.

The change in capital value for each share class is shown below:

Change in NAV	12m to 31-Jan- 23	12m to 31-Jan- 22	12m to 31-Jan- 21	12m to 31-Jan- 20	12m to 31-Jan- 19	5 Years to 31-Jan- 23
Class A Sterling Net Accumulation	-7.52%	0.16%	-0.33%	5.89%	-9.22%	-11.87%
Class A Sterling Net Income	-7.66%	0.39%	-0.51%	5.90%	-9.07%	-11.19%
Class B Sterling Net Accumulation	-6.81%	0.92%	0.43%	6.77%	-8.50%	-8.13%
Class B Sterling Net Income	-6.96%	1.17%	0.24%	6.74%	-8.35%	-7.70%
Class C Sterling Net Accumulation	-6.41%	1.36%	0.87%	7.18%	-8.39%	-6.31%
Class C Sterling Net Income	-6.55%	1.58%	0.67%	7.07%	-8.01%	-5.87%

Change in NAV	12m to 31-Jan- 23	12m to 31-Jan- 22	12m to 31-Jan- 21	12m to 31-Jan- 20	12m to 31-Jan- 19	5 Years to 31-Jan- 23
Class A Sterling Net Accumulation	-5.09%	2.09%	1.80%	8.86%	-5.66%	1.31%
Class A Sterling Net Income	-7.66%	0.39%	-0.51%	5.90%	-9.07%	-11.19%
Class B Sterling Net Accumulation	-4.37%	2.86%	2.57%	9.68%	-4.95%	5.19%
Class B Sterling Net Income	-6.96%	1.17%	0.24%	6.74%	-8.35%	-7.70%
Class C Sterling Net Accumulation	-3.95%	3.30%	3.02%	10.02%	-4.74%	7.13%
Class C Sterling Net Income	-6.55%	1.58%	0.67%	7.07%	-8.01%	-5.87%

Source: Valu-Trac

The below table shows the annual income return, and the total income generated over the five-year time horizon (this assumes income is not reinvested). For accumulation share classes this is already reflected in the NAV return and for income share classes, this income return is in addition to any capital growth (or loss) as reflected by the change in NAV:

<b>Dividend yield (Income Return)</b>	<b>12m to 31-Jan- 23</b>	<b>12m to 31-Jan- 22</b>	<b>12m to 31-Jan- 21</b>	<b>12m to 31-Jan- 20</b>	<b>12m to 31-Jan- 19</b>	<b>5 Years to 31-Jan- 23</b>
Class A Sterling Net Accumulation	2.44%	1.94%	2.14%	2.97%	3.55%	<b>13.17%</b>
Class A Sterling Net Income	2.41%	1.93%	2.13%	2.91%	3.52%	<b>12.37%</b>
Class B Sterling Net Accumulation	2.44%	1.94%	2.14%	2.91%	3.55%	<b>13.32%</b>
Class B Sterling Net Income	2.42%	1.92%	2.12%	2.88%	3.51%	<b>12.50%</b>
Class C Sterling Net Accumulation	2.46%	1.94%	2.14%	2.85%	3.64%	<b>13.44%</b>
Class C Sterling Net Income	2.42%	1.93%	2.13%	2.86%	3.45%	<b>12.52%</b>

Source: Valu-Trac

Across all share classes a positive total return has been generated, this has been generated by a positive income return over the last five years, offset by a capital loss.

The net total returns for the share classes and the comparator (which assume dividends are reinvested for income share classes) generated are shown in the table below. This is after on-going charges (OCF). This includes the fee paid to the Investment Manager, and transaction costs, which vary depending on the class of shares.

<b>Total Net Return</b>	<b>2023 Performance</b>	<b>2023 Comparator Performance</b>	<b>5-Year Performance (per year)</b>	<b>5-Year Comparator Performance (per year)</b>
Class A Sterling Net Accumulation	-5.09%	-2.46%	0.17%	3.48%
Class A Sterling Net Income	-5.26%	-2.46%	0.17%	3.48%
Class B Sterling Net Accumulation	-4.38%	-2.46%	0.92%	3.48%
Class B Sterling Net Income	-4.55%	-2.46%	0.93%	3.48%
Class C Sterling Net Accumulation	-3.95%	-2.46%	1.29%	3.48%
Class C Sterling Net Income	-4.13%	-2.46%	1.31%	3.48%

Source: Morningstar

The AFM has referred to both internal and external data sources for performance statistics, where the AFM has felt this to be appropriate. Typically, statistics such as capital gain and historic yield, are not readily available via external data sources.

The AFM has also assessed the risk the Fund took to achieve the above performance and has concluded that the Fund has not taken excessive risk to achieve this performance (detailed analysis on how we have arrived at this conclusion can be provided on request).

After assessing the relative performance against the comparator and taking into account the capital losses over the five-year time period, the AFM has concluded that the unitholders within the Fund are not receiving good value in relation to performance.

### 3. AFM costs - general

The costs directly charged to the Fund during the year ended 31 January 2023, were as follows:

	£	% of average fund value
Investment Manager fee	422,262	0.45%
Investment Manager rebate (C Class)	-83,118	-0.09%
ACD fee	27,103	0.03%
Depository fee	34,188	0.03%
Audit fee	7,711	0.01%
FCA fee	46	0.00%
Safe custody fee	7,798	0.01%
Transaction charges (custodian)	1,959	0.00%
Other fees	12,526	0.01%
<b>Total Costs</b>	<b>430,475</b>	<b>0.45%</b>

Note that as at the date of this report the Investment Manager pays a rebate to the Fund such that the average ongoing charges for the C Class as a percentage does not exceed 0.80%, however this has been removed after the period end following an assessment of costs by the investment manager.

Each share class within the Fund has its own Annual Management Charge (AMC). The AMC of each share class within the Fund is shown in the table below. Note that the share class-specific AMCs may differ from the total costs % shown in the table above, as the total cost % figure is calculated at the level of the Fund rather than at the level of each share class.

	AMC
Class A Sterling Net Accumulation	1.45%
Class A Sterling Net Income	1.45%
Class B Sterling Net Accumulation	0.70%
Class B Sterling Net Income	0.70%
Class C Sterling Net Accumulation	0.40%
Class C Sterling Net Income	0.40%

For an actively managed fund of this type, an AMC of 1.45% appears high and the AFM has concluded that investors in the A share class are not receiving good value for AFM costs. In mitigation, it should be noted that a compulsory conversion of Class A shares into Class B shares has been put into effect, with an effective date of June 2023.

For the B & C share classes the charges appear reasonable, and the AFM has concluded investors in these share classes are receiving good value.

#### 4. Economies of scale

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the unitholders. An example of this is the depositary fees charged being on a sliding scale so reduce in cost as the Fund exceeds certain thresholds. As the AFM grows its total assets across all schemes it uses this purchasing power to benefit all schemes.

The AFM has therefore concluded that all unitholders within the Fund are receiving good value in terms of economies of scale.

#### 5. Comparable market rates

The AFM has considered the costs charged to the Fund by comparing the current ongoing charges (OCF) of the share classes to the average OCF of the IA Mixed Investment 40%-85% Shares Sector, retail classes where available, alongside the historical change for each share class. This is shown below:

OCF	31-Jan-23	31-Jan-22	31-Jan-21	31-Jan-20	31-Jan-19
Class A Sterling Net Accumulation	1.94%	1.99%	2.06%	2.00%	2.43%
Class A Sterling Net Income	1.94%	1.99%	2.06%	2.00%	2.43%
Class B Sterling Net Accumulation	1.19%	1.24%	1.31%	1.25%	1.68%
Class B Sterling Net Income	1.19%	1.24%	1.31%	1.25%	1.68%
Class C Sterling Net Accumulation	0.80%	0.80%	0.80%	0.95%	1.38%
Class C Sterling Net Income	0.80%	0.80%	0.80%	0.95%	1.38%
The IA Mixed Investment 40%-85% Shares Sector Average	1.11%				

Source - Morningstar

The ongoing charges for each share class includes the costs of underlying funds held, which is currently at 0.40%.

The AFM has concluded the costs for the Fund are generally reasonable.

However, the AFM notes that the ongoing charges for the Class A Shares, are among the most expensive (by decile) within the chosen peer group and investors in this share class are not receiving good value with regards to comparable market rates. As highlighted in the AFM cost section, actions have already been undertaken to address this.

Investors in the B class are paying ongoing charges slightly above the market average for similar funds, and as such the AFM concludes investors in this share class are receiving reasonable value with regards to comparable market rates, in particular we note the trend that the OCF has fallen over the past few years.

Investors in the C class are paying charges less than the market average for similar funds, and as such the AFM concludes investors in this share class are receiving good value.

#### 6. Comparable services

The services provided to this Fund and the costs are also comparable amongst other similar funds operated by the AFM with the same investment manager and is aligned with its normal operating model.

The AFM concludes that investors in all share classes are receiving good value for comparable services.

## 7. Classes of units

The Investment Manager fee charged to the A Classes includes rebates and trail commissions paid out to third parties in these share classes which is not considered in the ongoing charges, while the C Classes are only available to investors with a separate arrangement with the Investment Manager.

The B share classes have a minimum investment amount of £3k, whereas the C share class has a higher minimum of £5m.

The AFM concludes that investors in the A share class are not receiving good value with regards to classes of units, because although some of the charges are rebated, we cannot be assured that in all cases this is being passed back to investors. As mentioned, this has already been addressed through the mandatory conversion of the A class (into the B class). Although the B & C share classes have different AMCs, the AFM concludes that investors in these share classes are receiving good value when comparing classes of units, as the different charges are driven by different minimum amounts. A larger minimum amount helps the overall fund scale quicker, and the servicing required per £ invested is generally lower.

### CONCLUSION

Our assessment has been conducted against the seven factors outlined by the FCA and the Fund has been rated via a ‘traffic light’ system, where green (G) indicates receiving good value, amber (A) indicates receiving reasonable value and red (R) indicates not receiving good value.

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Balanced Fund	G	R	G	G	A	G	G	A
Class A Sterling Net Accumulation	G	R	R	G	R	G	R	R
Class A Sterling Net Income	G	R	R	G	R	G	R	R
Class B Sterling Net Accumulation	G	R	G	G	A	G	G	A
Class B Sterling Net Income	G	R	G	G	A	G	G	A
Class C Sterling Net Accumulation	G	R	G	G	G	G	G	A
Class C Sterling Net Income	G	R	G	G	G	G	G	A

In taking all of these criteria into consideration, the AFM will conclude whether the payments out of the scheme property as set out in the prospectus are justified in the context of the overall value delivered to unitholders.

The performance of each Fund share class is markedly below that of the performance comparator, over the previous 12 months. Furthermore, fund performance is significantly below that of the performance comparator over the key investment horizon of five years.

The ongoing charges of the Class A Shares and Class B Shares are greater than that of the selected peer group average. The cost of the Class A Shares would appear to be among the most expensive within that peer group. In mitigation, it should be noted that a compulsory conversion of Class A shares into Class B shares has been put into effect, with an effective date of June 2023.

Overall, the AFM concludes that for the shareholders of the Discovery Balanced Fund are receiving reasonable value with holders of the A share class not receiving good value. Mitigating actions have been taken to address the high costs of the A class. The B class has costs marginally above the sector average and will continue to be monitored over the next 12 months to ensure it continues to fall towards the average. We will continue to monitor performance trends, and where appropriate will work with the investment manager to ensure the Fund is well positioned to perform in line with both its objectives and any performance comparator or benchmark.

16 May 2023

## Statement by the Authorised Fund Manager (AFM) to the unitholders of the Discovery Growth Fund on the outcome of the AFM's assessment of the value provided to unitholders

For the year ended 31 January 2023

This assessment is to establish what the Discovery Growth Fund (the Fund) has delivered to you in return for the price you have had to pay.

Our assessment has been conducted against the seven factors outlined by the FCA and the Fund has been rated via a 'traffic light' system, where green (G) indicates receiving good value, amber (A) indicates receiving reasonable value and red (R) indicates not receiving good value.

The dashboard below shows the overall summary of this assessment, **as at 31 January 2023**:

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Growth Fund	G	A	G	G	G	G	G	G
Class A Sterling Net Accumulation	G	A	R	G	R	G	R	R
Class B Sterling Net Accumulation	G	A	G	G	G	G	G	G
Class C Sterling Net Accumulation	G	A	G	G	G	G	G	G
USD Net Accumulation	G	A	R	G	R	G	R	R

The dashboard below shows the overall summary for the previous assessment i.e., carried out as at 31 January 2022:

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Growth Fund								
Class A Sterling Net Accumulation	G	A	R	G	G	G	G	A
Class B Sterling Net Accumulation	G	A	G	G	G	G	G	A
Class C Sterling Net Accumulation	G	A	G	G	G	G	G	A
USD Net Accumulation	G	A	R	G	G	G	R	A

The Fund was launched on 23 October 2006.

The AFM is the Authorised Corporate Director (ACD) of the company, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Adviser for the Fund is Hawksmoor Investment Management Limited. Hawksmoor Investment Management Limited were appointed in March 2022, replacing Wellian Investment Solutions. Both Hawksmoor and Wellian are part of Hurst Point Group.

The objective of the Fund is to provide capital growth over a market cycle (five years).

The Fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) to a range of eligible assets such as transferable securities (shares (including investment trusts), debentures, government and public securities, warrants or certificates representing certain securities), money market instruments, deposits, cash, property and commodities to provide diversification. The Fund may also invest directly in such eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.

The Fund will be constructed based on the investment manager's assessment of the broader economic outlook as well as the absolute and relative attractiveness of different asset classes. This analysis, combined with the view on the potential risk profile and relative risk-adjusted returns of asset classes will determine the current asset allocation of the Fund.

Typically, the Fund is likely to have greater exposure to higher risk assets such as underlying equities and commodities with a view to achieving higher growth, and less exposure to underlying cash, fixed interest and property assets, than other funds in the range.

The investment manager will use a wide range of assets and asset classes to provide a diversified investment approach and will actively alter the weights of the component parts where necessary with a view to achieving the investment objective. The Fund might have the ability to be fully invested in one class of asset, but in reality, due to creating a diversified investment solution, it will be exposed to numerous managers, geographies, asset classes and styles.

The value of each share class at the end of the last five financial years are as follows:

<b>At and for the year ended</b>					
	<b>31-Jan-23</b>	<b>31-Jan-22</b>	<b>31-Jan-21</b>	<b>31-Jan-20</b>	<b>31-Jan-19</b>
<b>Value of Fund</b>					
Class A Sterling Net Accumulation	£0.10m	£0.16m	£0.42m	£0.43m	£0.63m
Class B Sterling Net Accumulation	£1.68m	£1.80m	£2.07m	£2.22m	£2.14m
Class C Sterling Net Accumulation	£33.46m	£28.38m	£7.78m	£2.20m	£0.04m
USD Net Accumulation	\$0.03m	\$0.03m	\$0.03m	\$0.03m	\$0.03m

*Source: Valu-Trac*

In carrying out the assessment of value the following criteria were considered:

### **1. Quality of service**

The AFM considers that a good level of service was provided to unitholders by all parties involved commensurate to the amount paid by the Fund for those services. The AFM monitors the following operational services:

Depository – NatWest Trustee and Depository Services Limited

Custodian – RBC Investor Services Trust, UK branch (RBC)

The external audit is conducted by Johnston Carmichael LLP.

These services are essential in ensuring that the Fund operated efficiently and in the case of the Depository and Custodian the service is supervised on an on-going daily basis by the AFM. As a unitholder this means that you can be certain that your requests such as investment and redemption of the Fund's units will always be carried out exactly as set out in the documentation.

Valu-Trac does not delegate any of the core operating functions of the Fund such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the unitholders can be certain that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. The AFM works closely with the investment manager to coordinate and required investment communications.

The AFM has concluded that the unitholders within the Fund are receiving good value for the quality of services provided by each party (detailed analysis on how we have arrived at this conclusion can be provided on request).

## 2. Performance

The AFM has assessed performance of the Fund net (after) of all the charges that are outlined in its prospectus.

The objective of the Fund is to generate capital growth over a market cycle (five years). The Fund is not managed to, nor constrained by, a specific benchmark; however, to aid comparison, Fund performance may be compared to that of the IA Flexible Investment Sector (the comparator).

As such the time horizon used to assess performance is five years, however shorter periods are also reviewed to provide context for longer term performance.

The change in capital value for each share class is shown below:

<b>Change in NAV</b>	<b>12m to Jan-23</b>	<b>12m to Jan-22</b>	<b>12m to Jan-21</b>	<b>12m to Jan-20</b>	<b>12m to Jan-19</b>	<b>5 Years to Jan-23</b>
Class A Sterling Net Accumulation	-3.39%	2.15%	5.43%	10.90%	-6.48%	7.91%
Class B Sterling Net Accumulation	-3.38%	2.30%	5.59%	11.74%	-5.86%	9.78%
Class C Sterling Net Accumulation	-3.37%	2.28%	5.64%	11.79%	-6.32%	9.34%
USD Net Accumulation	-11.18%	-0.24%	9.88%	10.78%	-13.56%	-6.76%

Source: Valu-Trac

To understand how much of this has been generated by income we calculate the income that has been reinvested each year, and the total income generated over the time horizon, with the difference being capital growth:

<b>Reinvested Dividend yield (Income Return)</b>	<b>12m to Jan-23</b>	<b>12m to Jan-22</b>	<b>12m to Jan-21</b>	<b>12m to Jan-20</b>	<b>12m to Jan-19</b>	<b>5 Years to Jan-23</b>
Class A Sterling Net Accumulation	0.08%	0.00%	0.00%	0.00%	0.00%	0.09%
Class B Sterling Net Accumulation	0.80%	0.60%	0.62%	0.00%	0.11%	2.36%
Class C Sterling Net Accumulation	1.70%	1.15%	1.17%	0.30%	0.22%	5.01%
USD Net Accumulation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Valu-Trac

The US dollar share class has generated a loss, however this is driven by a fall in sterling against the US dollar, and is outside the control of the AFM, as the objective is managed against the fund's base currency (sterling).

The net total returns for the share classes and the comparator (which assume dividends are reinvested for income share classes) generated are shown in the table below. This is after on-going charges (OCF). This includes the fee paid to the Investment Manager, and transaction costs, which vary depending on the class of shares.

<b>Total Net Return</b>	<b>2023 Performance</b>	<b>2023 Comparator Performance</b>	<b>5-Year Performance (per year)</b>	<b>5-Year Comparator Performance (per year)</b>
Class A Sterling Net Accumulation	-3.31%	-1.27%	1.44%	3.78%
Class B Sterling Net Accumulation	-2.58%	-1.27%	2.21%	3.78%
Class C Sterling Net Accumulation	-1.66%	-1.27%	2.61%	3.78%
USD Net Accumulation	-11.18%	-9.40%	-1.45%	0.83%

Source: Morningstar

The AFM has referred to both internal and external data sources for performance statistics, where the AFM has felt this to be appropriate. Typically, statistics such as capital gain and historic yield, are not readily available via external data sources.

The AFM has also assessed the risk the Fund took to achieve the above performance and has concluded that the Fund has not taken excessive risk to achieve this performance (detailed analysis on how we have arrived at this conclusion can be provided on request).

Each share class has achieved its capital growth objective (when measured in sterling) over the time horizon. However, performance is moderately behind the comparator in all cases.

As such the AFM has concluded that the unitholders within the Fund are receiving reasonable value in relation to performance.

### 3. AFM costs - general

The costs directly charged to the Fund, during the year ended 31 January 2023, were as follows:

	<b>£</b>	<b>% of average fund value</b>
Investment Manager fee	140,465	0.42%
Investment Manager rebate (Class C)	-58,363	-0.18%
ACD fee	27,103	0.09%
Depositary fee	18,000	0.05%
Audit fee	7,730	0.02%
FCA fee	115	0.00%
Safe custody fee	2,712	0.01%
Transaction charges (custodian)	1,560	0.00%
Other fees	8,650	0.03%
<b>Total Costs</b>	<b>147,972</b>	<b>0.44%</b>

Source: Valu-Trac

Note that, as at the date of this report, the Investment Manager pays a rebate to the Fund, such that the average OCF for the C class as a percentage, does not exceed 0.80%. However, this has been removed after the period end, following an assessment of costs by the Investment Manager.

Each share class within the Fund has its own Annual Management Charge (AMC). The AMC of each share class within the Fund is shown in the table below. Note that the share class-specific AMCs may differ from the total costs % shown in the table above, as the total cost % figure is calculated at the level of the Fund rather than at the level of each share class.

	<b>AMC</b>
Class A Sterling Net Accumulation	1.45%
Class B Sterling Net Accumulation	0.70%
Class C Sterling Net Accumulation	0.40%
USD Net Accumulation	1.55%

Source: Valu-Trac

For an actively managed fund of this type, an AMC of 1.45% or 1.55% appears high. The AFM has previously concluded that unitholders in the A share class and USD Net Accumulation share class, are not receiving good value in respect to AFM costs. In mitigation, it should be noted that a compulsory conversion of Class A shares into Class B shares has been put into effect, with an effective date of June 2023. This will also apply to the USD denominated share class, where the option is to convert to the GBP denominated B share class; no specific provision has been made for a USD denominated B share class.

For the Class B and Class C share classes, the charges appear reasonable given the nature of the Fund, and the AFM has concluded unitholders in these share classes are receiving good value.

#### **4. Economies of scale**

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the unitholders. An example of this is the depositary fees charged being on a sliding scale so reduce in cost as the Fund exceeds certain thresholds. As the AFM grows its total assets across all schemes it uses this purchasing power to benefit all schemes.

The AFM has therefore concluded that all unitholders within the Fund are receiving good value in terms of economies of scale.

#### **5. Comparable market rates**

The AFM has considered the costs charged to the Fund, by comparing the ongoing charges (OCF) of the share classes to the average OCF of the IA Flexible Investment sector retail classes, where available, alongside the historical change for each share class. This is shown below:

<b>OCF</b>	<b>31-Jan-23</b>	<b>31-Jan-22</b>	<b>31-Jan-21</b>	<b>31-Jan-20</b>	<b>31-Jan-20</b>
Class A Sterling Net Accumulation	2.03%	2.24%	2.57%	2.48%	2.85%
Class B Sterling Net Accumulation	1.28%	1.49%	1.82%	1.73%	2.10%
Class C Sterling Net Accumulation	0.80%	0.80%	0.80%	1.43%	1.80%
USD Net Accumulation	2.13%	2.34%	2.67%	2.58%	2.95%
The IA Flexible Investment Sector Average	1.32%				

Source: Valu-Trac / Morningstar

The OCF for each share class includes the costs of underlying funds held, currently at 0.39%.

Unitholders within Class A and the USD denominated share class are currently paying an OCF greater than the market average for similar funds. However, in mitigation, it should be noted that a compulsory conversion of Class A shares into Class B shares has been put into effect, with an effective date of June

2023. This will also apply to the USD denominated share class, where the option is to convert to the GBP denominated B share class.

Unitholders within Class B and Class C share classes are paying charges less than the market average for similar funds and, as such, the AFM concludes unitholders in these share classes are receiving good value.

#### **6. Comparable services**

The services provided to this Fund and the costs are also comparable amongst other similar funds operated by the AFM with the same investment manager and is aligned with its normal operating model.

The AFM concludes that unitholders in all share classes are receiving good value with regard to comparable services.

#### **7. Classes of units**

The AMC charged to Class A and USD units, includes rebates and trail commissions paid out to other parties, which is not considered in the overall OCF.

A compulsory conversion of Class A shares into Class B shares has been put into effect, with an effective date of June 2023. This will also apply to the USD denominated share class, where the option is to convert to the GBP denominated B share class.

The Class C shares are only available to unitholders with a separate arrangement with the ACD or the Investment Manager.

It should also be noted that the Class B shares have a minimum investment amount of £3k, whereas the Class C shares have a higher minimum of £5m. A larger minimum amount helps the overall fund scale quicker, and the servicing required per £ invested is generally lower.

The AFM concludes that unitholders in both the Class B and Class C shares are receiving good value when comparing classes of units.

## CONCLUSION

Our assessment has been conducted against the seven factors outlined by the FCA and the Fund has been rated via a ‘traffic light’ system, where green (G) indicates receiving good value, amber (A) indicates receiving reasonable value and red (R) indicates not receiving good value.

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
<b>Discovery Growth Fund</b>	G	A	G	G	G	G	G	G
<b>Class A Sterling Net Accumulation</b>	G	A	R	G	R	G	R	R
<b>Class B Sterling Net Accumulation</b>	G	A	G	G	G	G	G	G
<b>Class C Sterling Net Accumulation</b>	G	A	G	G	G	G	G	G
<b>USD Net Accumulation</b>	G	A	R	G	R	G	R	R

In taking all of these criteria into consideration, the AFM will conclude whether the payments out of the scheme property as set out in the prospectus are justified in the context of the overall value delivered to unitholders.

The performance of each Fund share class is below that of the performance comparator over the previous twelve months. Fund performance is also moderately below that of the performance comparator over the key investment horizon of five years. The AFM will continue to monitor performance trends, and where appropriate will work with the investment manager to ensure the fund is well positioned to perform in line with both its objectives and any performance comparator or benchmark.

The on-going charges of the Class A Shares and the USD denominated shares appear to be high. This is equally true in relation to comparable market rates. In mitigation, it should be noted that a compulsory conversion of Class A shares into Class B shares has been put into effect, with an effective date of June 2023.

The majority of the assets in the Fund are in the B and C share classes and given the ongoing changes in the other share classes, this has been used as a representative fund level assessment.

Overall, the AFM concludes that the unitholders within the Discovery Growth Fund are receiving good value.

16 May 2023

## Statement by the Authorised Fund Manager (AFM) to the unitholders of the Discovery Cautious Fund on the outcome of the AFM's assessment of the value provided to unitholders

For the year ended 31 January 2023

This assessment is to establish what the Discovery Cautious Fund (the Fund) has delivered to you in return for the price you have had to pay.

Our assessment has been conducted against the seven factors outlined by the FCA and the Fund has been rated via a 'traffic light' system, where green (G) indicates receiving good value, amber (A) indicates receiving reasonable value and red (R) indicates not receiving good value.

The dashboard below shows the overall summary of this assessment, **as at 31 January 2023**:

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Cautious Fund	G	A	G	G	G	G	G	G
Class C Sterling Net Income	G	A	G	G	G	G	G	G
Class C Sterling Net Accumulation	G	A	G	G	G	G	G	G
Class D Sterling Net Accumulation	G	A	G	G	G	G	G	G

The dashboard below shows the overall summary for the previous assessment i.e., carried out as at 31 January 2022:

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Cautious Fund								
Class C Sterling Net Income	G	n/a	G	G	G	G	G	G
Class C Sterling Net Accumulation	G	n/a	G	G	G	G	G	G
Class D Sterling Net Accumulation	G	n/a	G	G	G	G	G	G

The Fund was launched on 27 March 2019.

The AFM is the Authorised Corporate Director (ACD) of the company, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager for the Fund is Hawksmoor Investment Management Limited. Hawksmoor Investment Management Limited were appointed in March 2022, replacing Wellian Investment Solutions. Both Hawksmoor and Wellian are part of Hurst Point Group.

The objective of the Fund is to provide returns through a combination of capital growth and income over a market cycle (five years).

The Fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) to a range of eligible assets such as transferable securities (shares (including investment trusts), debentures, government and public securities, warrants or certificates representing certain securities), money market instruments, deposits, cash, property and commodities to provide diversification. The Fund may also invest directly in such eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.

The Fund will be constructed based on the Investment Manager's assessment of the broader economic outlook as well as the absolute and relative attractiveness of different asset classes. This analysis, combined with the view on the potential risk profile and relative risk-adjusted returns of asset classes will determine the current asset allocation of the Fund.

Typically, the Fund is likely to take a cautious approach and have greater exposure to underlying cash, fixed interest and property assets, and less exposure to underlying equities and commodities, than other funds in the range.

The Investment Manager will use a wide range of assets and asset classes to provide a diversified investment approach and will actively alter the weights of the component parts where necessary with a view to achieving the investment objective. The Fund might have the ability to be fully invested in one class of asset, but in reality, due to creating a diversified investment solution, it will be exposed to numerous managers, geographies, asset classes and styles.

The value of each share class at the end of the last four financial years are as follows:

<b>At and for the year ended</b>				
	<b>31-Jan-23</b>	<b>31-Jan-22</b>	<b>31-Jan-21</b>	<b>31-Jan-20</b>
<b>Value of Fund</b>				
Class C Sterling Net Income	£0.58m	£0.41m	£0.50m	£0.46m
Class C Sterling Net Accumulation	£46.74m	£45.89m	£29.32m	£17.33m
Class D Sterling Net Accumulation	£8.26m	£8.60m	£5.32m	£0.00m

*Source: Valu-Trac*

*The Class C Sterling Net Income share class launched 14 May 2019*

*The Class C Sterling Net Accumulation share class launched 27 March 2019*

*The Class D Sterling Net Accumulation share class launched 21 May 2020*

In carrying out the assessment of value the following criteria were considered:

### **1. Quality of service**

The AFM considers that a good level of service was provided to unitholders by all parties involved commensurate to the amount paid by the Fund for those services. The AFM monitors the following operational services:

Depository – NatWest Trustee and Depository Services Limited

Custodian – RBC Investor Services Trust, UK branch (RBC)

The external audit is conducted by Johnston Carmichael LLP.

These services are essential in ensuring that the Fund operated efficiently and in the case of the Depository and Custodian the service is supervised on an on-going daily basis by the AFM. As a unitholder this means that you can be certain that your requests such as investment and redemption of the Fund's units will always be carried out exactly as set out in the documentation.

Valu-Trac does not delegate any of the core operating functions of the Fund such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the unitholders can be certain that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. The AFM works closely with the investment manager to coordinate any required investment communications.

The AFM has concluded that the unitholders within the Fund are receiving good value for the quality of services provided by each party (detailed analysis on how we have arrived at this conclusion can be provided on request).

## 2. Performance

The AFM has assessed performance of the Fund net (after) of all the charges that are outlined in its prospectus.

The objective of the Fund is to provide returns through a combination of capital growth and income over a market cycle (five years). The Fund is not managed to, nor constrained by, a specific benchmark; however, to aid comparison, Fund performance may be compared to that of the IA Mixed Investment 20%-60% Shares Sector (the comparator).

As none of the share classes do not have a five-year track record, we use the maximum available record for each share class to assess performance, however shorter periods are also reviewed to provide context for longer term performance.

The change in capital value for each share class is shown below:

Change in NAV*	12m to	12m to	12m to	12m to	Share Class launch to
	Jan-23	Jan-22	Jan-21	Jan-20	Jan-23
Class C Sterling Net Income	-6.13%	1.42%	-2.72%	5.34%	-2.45%
Class C Sterling Net Accumulation	-6.18%	1.46%	-2.63%	4.37%	-3.64%
Class D Sterling Net Accumulation	-6.11%	1.55%	-7.16%		1.98%

Source: Valu-Trac

\*The Class C Sterling Net Income share class launched 14 May 2019. Part period shown, where applicable.

\*The Class C Sterling Net Accumulation share class launched 27 March 2019. Part period shown, where applicable.

\*The Class D Sterling Net Accumulation share class launched 21 May 2020. Part period shown, where applicable.

The below table shows the annual income return, and the total income generated since each share class was launched (this assumes income is not reinvested). For accumulation share classes this is already reflected in the NAV return and for income share classes, this income return is in addition to any capital growth (or loss) as reflected by the change in NAV:

Dividend yield (Income Return)	12m to	12m to	12m to	12m to	Share Class launch to
	Jan-23	Jan-22	Jan-21	Jan-20	Jan-23
Class C Sterling Net Income	2.19%	1.83%	1.89%	1.99%	8.14%
Class C Sterling Net Accumulation	2.16%	1.85%	1.90%	2.06%	8.39%
Class D Sterling Net Accumulation	2.22%	1.85%	1.55%		6.06%

Source: Valu-Trac

The Class C Sterling Net Income share class launched 14 May 2019

The Class C Sterling Net Accumulation share class launched 27 March 2019

The Class D Sterling Net Accumulation share class launched 21 May 2020

Across all share classes a positive total return has been generated, this has been generated by a positive income return for all share classes, and a combination of capital growth (D accumulation) and capital losses (C income and C accumulation).

The net total returns for the share classes and the comparator (which assume dividends are reinvested for income share classes) generated are shown in the table below. This is after on-going charges (OCF). This includes the fee paid to the Investment Manager, and transaction costs, which vary depending on the class of shares.

<b>Total Net Return</b>	<b>2023 Performance</b>	<b>2023 Comparator Performance</b>	<b>Since Launch Performance (per year)</b>	<b>Since Launch Comparator Performance (per year)</b>
Class C Sterling Net Income	-3.93%	-3.91%	1.50%	2.29%
Class C Sterling Net Accumulation	-4.03%	-3.91%	1.21%	2.46%
Class D Sterling Net Accumulation	-3.89%	-3.91%	2.91%	3.71%

Source: Morningstar

The Class C Sterling Net Income share class launched 14 May 2019

The Class C Sterling Net Accumulation share class launched 27 March 2019

The Class D Sterling Net Accumulation share class launched 21 May 2020

The AFM has referred to both internal and external data sources for performance statistics, where the AFM has felt this to be appropriate. Typically, statistics such as capital gain and historic yield, are not readily available via external data sources.

The AFM has also assessed the risk the Fund took to achieve the above performance and has concluded that the Fund has not taken excessive risk to achieve this performance (detailed analysis on how we have arrived at this conclusion can be provided on request).

Given the share classes have been operating for a shorter period than the time horizon stated in the objectives, we acknowledge that it is too early to assess if the absolute objective of growth through a combination of capital growth and income has been achieved. As such, the focus is on relative performance against the comparator; on this basis, the AFM has concluded that the unitholders within the Fund are receiving reasonable value, in relation to performance.

### 3. AFM costs - general

The costs directly charged to the Fund, during the year ended 31 January 2023, were as follows:

	<b>£</b>	<b>% of average fund value</b>
Investment Manager fee	207,681	0.38%
Investment Manager rebate (Class C)	-29,443	-0.06%
ACD fee	27,103	0.05%
Depositary fee	20,014	0.04%
Audit fee	7,730	0.01%
FCA fee	47	0.00%
Safe custody fee	3,985	0.01%
Transaction charges (custodian)	2,183	0.00%
Other fees	5,388	0.01%
<b>Total Costs</b>	<b>244,688</b>	<b>0.44%</b>

Note that, as at the date of this report, the Investment Manager pays a rebate to the Fund, such that the average OCF for the C class as a percentage, does not exceed 0.80%. However, this has been removed after the period end, following an assessment of costs by the Investment Manager.

Each share class within the Fund has its own Annual Management Charge (AMC). The AMC of each share class within the Fund is shown in the table below. Note that the share class-specific AMCs may differ from the total costs % shown in the table above, as the total cost % figure is calculated at the level of the Fund rather than at the level of each share class.

	<b>AMC</b>
Class C Sterling Net Income	0.40%
Class C Sterling Net Accumulation	0.40%
Class D Sterling Net Accumulation	0.25%

The AFM has concluded that the AMC for each share class is reasonable for an actively managed fund of this type. Therefore, the AFM has concluded, that unitholders of all share classes are receiving good value with regard to AFM costs.

#### **4. Economies of scale**

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the unitholders. An example of this is the depositary fees charged being on a sliding scale so reduce in cost as the Fund exceeds certain thresholds. As the AFM grows its total assets across all schemes it uses this purchasing power to benefit all schemes.

The AFM has therefore concluded that all unitholders within the Fund are receiving good value in terms of economies of scale.

#### **5. Comparable market rates**

The AFM has considered the costs charged to the Fund, by comparing the ongoing charges (OCF) of the share classes to the average On-going Charges Figure (OCF) of the IA Mixed Investment 20%-60% Shares sector retail classes, where available alongside the historical change for each share class. This is shown below:

<b>OCF</b>	<b>31-Jan-23</b>	<b>31-Jan-22</b>	<b>31-Jan-21</b>	<b>31-Jan-20</b>
Class C Sterling Net Income	0.80%	0.80%	0.80%	0.88%
Class C Sterling Net Accumulation	0.80%	0.80%	0.80%	0.88%
Class D Sterling Net Accumulation	0.70%	0.71%	0.78%	
The IA Mixed Investment 20-60% Shares Sector Average	1.15%			

*Source: Valu-Trac / Morningstar*

*The Class C Sterling Net Income share class launched 14 May 2019*

*The Class C Sterling Net Accumulation share class launched 27 March 2019*

*The Class D Sterling Net Accumulation share class launched 21 May 2020*

The OCF for each share class includes the costs of underlying funds held, which is currently at 0.33%.

Unitholders of all share classes are currently paying an OCF less than the market average for similar funds.

The AFM has therefore concluded that all unitholders within the Fund are receiving good value, with regard to market rates.

## 6. Comparable services

The services provided to this Fund and the costs are also comparable amongst other similar funds operated by the AFM with the same investment manager and is aligned with its normal operating model.

The AFM concludes that unitholders in all share classes are receiving good value with regard to comparable services.

## 7. Classes of units

The C class units have a minimum investment amount of £5m, whereas the D class units have a higher minimum of £8m. A larger minimum amount helps the overall fund scale quicker, and the servicing required per £ invested is generally lower.

The AFM concludes that unitholders in both share classes are receiving good value when comparing classes of units.

## CONCLUSION

As mentioned in the introduction, our assessment has been conducted against the seven factors outlined by the FCA and the Fund has been rated via a 'traffic light' system, where green (G) indicates receiving good value, amber (A) indicates receiving reasonable value and red (R) indicates not receiving good value.

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Discovery Cautious Fund	 G	 A	 G	 G	 G	 G	 G	 G
Class C Sterling Net Income	 G	 A	 G	 G	 G	 G	 G	 G
Class C Sterling Net Accumulation	 G	 A	 G	 G	 G	 G	 G	 G
Class D Sterling Net Accumulation	 G	 A	 G	 G	 G	 G	 G	 G

In taking all of these criteria into consideration, the AFM will conclude whether the payments out of the scheme property as set out in the prospectus are justified in the context of the overall value delivered to unitholders.

The performance of each share class is broadly in keeping with that of the performance comparator, over preceding twelve months. Fund performance is moderately below that of the performance comparator since inception. The AFM will continue to monitor performance trends and, where appropriate, will work with the investment manager to ensure the Fund is well positioned to perform in line with both its objectives and any performance comparator or benchmark.

Overall, the AFM concludes that the unitholders within the Discovery Cautious Fund are receiving good value.

16 May 2023