

# LF Gresham House Equity Funds

LF Gresham House UK Multi Cap Income Fund  
LF Gresham House UK Smaller Companies Fund

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



## AUTHORISED CORPORATE DIRECTOR ('ACD')

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### LINK FUND SOLUTIONS LIMITED

Head Office:  
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Telephone: 0345 922 0044  
Email: [investorservices@linkgroup.co.uk](mailto:investorservices@linkgroup.co.uk)  
(Authorised and regulated by the Financial Conduct Authority)

## DIRECTORS OF THE ACD

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

## INVESTMENT MANAGER

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### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

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

## DEPOSITARY

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

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

## REGISTRAR

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### LINK FUND ADMINISTRATORS LIMITED

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

## INDEPENDENT AUDITOR

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### KPMG LLP

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

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## ACD'S REPORT

for the year ended 31 December 2022

### Authorised Status

LF Gresham House Equity Funds ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC001084 and authorised by the Financial Conduct Authority ('FCA') with effect from 18 April 2017. The Company has an unlimited duration.

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

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

### ACD's Statement

#### Economic Uncertainty

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

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

### Important Information

The following changes became effective from 21 February 2022:

- The 'C' Euro Accumulation share class was launched in the LF Gresham House UK Multi Cap Income Fund;
- The 'C' Euro Accumulation share class was launched in the LF Gresham House UK Smaller Companies Fund; and
- The 'F' Sterling Accumulation and the 'F' Sterling Income share classes closed to new investors in the LF Gresham House UK Multi Cap Income Fund.

## ACD'S REPORT *continued*

### Cross Holdings

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

### Remuneration Policy

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

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

LFSL acts as the operator of both UK UCITS funds and Alternative Investment Funds ('AIFs').

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

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 30 June 2022, being the most recent accounting period for which accounts have been prepared by LFSL prior to the production of these accounts. As at 30 June 2022, LFSL operated 91 UK UCITS and 105 AIFs, whose respective assets under management ('AuM') were £37,814 million and £44,462 million. The Company was valued at £325 million as at that date and represented 0.40% of LFSL's total AuM and 0.86% of its UK UCITS AuM.

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

The disclosure below represents that required under COLL 4.5.7R (7) for funds subject to UK UCITS obligations.

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

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

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

### Securities Financing Transactions

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

## ACD'S REPORT *continued*

### Value Assessment

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

### LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House Equity Funds

28 April 2023

## DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House Equity Funds

28 April 2023

## STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority ('the COLL Sourcebook') requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Company, comprising each of its sub-funds, and of the net revenue/expense and net capital gains/losses on the property of the Company's sub-funds for the year.

In preparing the financial statements the ACD is responsible for:

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

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

## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as 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, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the ACD, which is the UCITS Management Company, 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.

## REPORT OF THE DEPOSITARY

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

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

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

Depositary of LF Gresham House Equity Funds

28 April 2023

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE EQUITY FUNDS ('THE COMPANY')

### Opinion

We have audited the financial statements of the Company for the year ended 31 December 2022 which comprise the *Statements of Total Return*, the *Statements of Change in Net Assets Attributable to Shareholders*, the *Balance Sheet*, the *Related Notes and Distribution Tables* for each of the Company's sub-funds listed on pages 2 and 3 and the accounting policies set out on pages 17 to 19.

In our opinion the financial statements:

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

### Basis for Opinion

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

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

### Going Concern

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE EQUITY FUNDS ('THE COMPANY') *continued*

Our conclusions based on this work:

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

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

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE EQUITY FUNDS ('THE COMPANY') *continued*

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

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

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

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

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

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

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

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

### Other Information

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE EQUITY FUNDS ('THE COMPANY') *continued*

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

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

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

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

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

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

As explained more fully in their statement set out on page 9 the Authorised Corporate Director is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE EQUITY FUNDS ('THE COMPANY') *continued*

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

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.

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

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

## ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 31 December 2022

### 1. Accounting Policies

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

#### (A) BASIS OF ACCOUNTING

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

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

#### (B) RECOGNITION OF REVENUE

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

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

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

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

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

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

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

#### (C) TREATMENT OF EXPENSES

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

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

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

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

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

### (E) TAXATION

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

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

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

### (F) BASIS OF VALUATION OF INVESTMENTS

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

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

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

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

### (G) EXCHANGE RATES

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

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

### (H) DILUTION LEVY

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

### (I) DIRECT TRANSACTION COSTS

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

## 2. Distribution Policies

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

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

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

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

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND ACD'S REPORT

for the year ended 31 December 2022

### Important Information

Please refer to the Important Information section on page 4.

### Investment Objective and Policy

The investment objective of LF Gresham House UK Multi Cap Income Fund ('the Fund') is to achieve income with the potential for capital growth, over any five year period, after all costs and charges have been taken.

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

The investment policy of the Fund is to invest directly at least 60% of the scheme property by value in the shares of small and medium sized companies that:

- (i) are incorporated, or domiciled in the UK;
- (ii) are listed or traded in the UK; and
- (iii) have a market capitalisation no greater than the smallest market constituent of the FTSE 100 Index.

The Fund may also invest directly and/or indirectly, up to 30% of the scheme property by value in the shares of large sized (have a market capitalisation greater than the smallest market constituent of the FTSE 100 Index) UK companies, investment and non-investment grade (including non-rated) sterling denominated debt securities (such as corporate bonds, government and public securities), money market instruments, deposits and cash.

The Fund may also invest directly and/or indirectly up to 10% of the scheme property by value in the shares of non-UK companies and unlisted companies.

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

Investments in collective investment schemes is limited to 10% of the scheme property by value.

The Fund can invest across different industry sectors without limitation.

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

The Fund may use derivatives for efficient portfolio management purposes.

The investment amounts referenced above will not apply under extraordinary market conditions. Examples of extraordinary market conditions include economic, political unrest or instability, world events leading to market instability, closure of a relevant market(s), or any events which give rise to high downside risk. During such periods, the Fund may temporarily invest up to 100% of its total assets in cash and cash equivalents.

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

#### Benchmark

The Fund's comparator benchmark is the IA UK Equity Income sector.

The Fund's performance may be compared against the IA UK Equity Income sector. The ACD believes that this is an appropriate comparator benchmark for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. The comparator benchmark has been selected as the ACD considers it assists investors in evaluating the Fund's performance against the performance of other funds invested in similar assets. The Fund is not constrained by the comparator benchmark and may take positions that differ significantly from the comparator benchmark.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Multi Cap Income Fund  
28 April 2023

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2022

#### Investment Strategy

The Fund was launched on 30 June 2017 with a policy of investing primarily in small and mid-cap companies, as well as holding large cap companies, and an objective of delivering a return of income with a potential for capital growth. These companies are predominantly UK listed equities. In annual terms the Fund currently is targeting a high single digit total return.

The Fund's investment strategy seeks to leverage the Manager's core expertise in investing in small and mid-sized UK businesses within its key sectors (consumer, technology, media and telecom, business services and healthcare & education), avoiding excessive cyclical exposure. The Fund focuses on areas of structural growth and sustainable income, seeking to find profitable, cash generative companies that offer attractive dividends and scope to grow, and employing a disciplined investment process to appraise potential investments. The Fund also looks to benefit from the wider Gresham House platform of research and investment professionals, and network of entrepreneurs, business leaders and industry specialists.

Fund composition aims to reflect the Manager's high conviction style, comprising a relatively concentrated portfolio of stocks with the potential to sustainably grow profits, cash flow and dividends over the longer term.

#### Movements in Net Asset Value

During the period the gross NAV of the Fund increased from £205.2m<sup>1</sup> to £387.6m<sup>1</sup>, of which 87.5% was invested in UK equities – 74.6% in small and mid-cap and 12.8% in large cap. Despite a negative revaluation of the portfolio of £24.4m, the NAV increased due to net inflows from shareholders amounting to £206.8m. The Fund delivered a negative return of 7.2%<sup>2</sup> over the period ('C' Sterling Accumulation share class), underperforming the IA UK Equity Income Sector, which returned a negative 2.2%<sup>3</sup>.

#### Investment Activity

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

During the period, investment activity was steady as inflows were predominantly deployed into follow-on investments into portfolio companies alongside three new investments, totaling £220.5m across both; the number of portfolio companies decreased from 47 to 41.

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

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

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

#### NEW INVESTMENTS

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

The Fund deployed £212.1m into existing portfolio companies as follow-on investments during the period. Examples included Watkin Jones, a UK based property development and management business operating in the purpose built student accommodation and build-to-rent markets; Hipgnosis, a UK investment trust acquiring musical intellectual property rights; DWF Group, a global legal and insurance support services business; and Ricardo, a global strategic, environmental and energy consultancy; alongside a number of other portfolio holdings.

Three new investments were made during 2022 into EKF Diagnostics, a developer and manufacturer of point-of-care medical diagnostic products, where the Manager leveraged in-house thematic investment expertise across the healthcare and life sciences sector to drive conviction in the investment case; Ten Entertainment, a leading operator of ten pin bowling centres in the UK; and RWS Holdings, a provider of language translation software and services and intellectual property filing services globally.

A key differentiating feature of the Fund's investment process is its ability to leverage the wider platform and private equity resource of Gresham House and network to evaluate new opportunities, which the Manager continued to do during the period.

In contrast to the prior year, deal activity was relatively muted, with a number of IPOs either being delayed or pulled, however we did participate in a number of fundraises across the existing portfolio holdings. These included Duke Royalty Ltd, a royalty financing business; Gresham House Energy Storage Fund; and FRP advisory, a restructuring advisory and professional services firm. The Fund also added to its position in R&Q Insurance Holdings, as part of its placing to raise \$125m, which was launched following the rejection at the special general meeting of a takeover offer from Brickell PC Insurance Holdings LLC.

#### DIVESTMENTS

The Fund benefited from corporate activity with two completed takeovers in the period, including Clipper Logistics being purchased by US based GXO Logistics, generating a positive return of 189.7%; and Brewin Dolphin by Royal Bank of Canada, generating a positive return of 45.1%.

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Full exits not relating to takeover activity included Volution Group (+58.7%), a provider of residential and commercial ventilation solutions; Speedy Hire (-26.4%), a specialist hire provider of tools and plant equipment; Safestore (+14.1%), a European self-storage provider; Strix Group (+16.6%), a manufacturer and distributor of kettle safety controls; and The Lakes Distillery (+75.9%), a whiskey distillery company. The majority of the above full divestments were related to a change in the Manager's view of the ongoing prospects of the company following a detailed portfolio risk review undertaken during the period.

#### Investment Performance

The Fund delivered a negative return of 7.2%<sup>2</sup> (based on 'C' Sterling Accumulation shares), ranking 65 out of 80 in the IA UK Equity Income Sector. Key drivers of the Fund's relative underperformance relative to the sector average were the "size effect" where smaller companies tended to underperform larger companies across the market as risk appetite was subdued; as well as the Manager's avoidance of certain sectors (in line with the investment process) that performed well, such as oil & gas and basic materials. The Manager is committed to targeting strong long-term risk-adjusted returns through employing disciplined risk mitigation processes, leveraging proprietary networks, and focusing on quality businesses with sustainable income and structural capital growth dynamics across the market cap spectrum. The Fund ended the period retaining its position as the top performing UK Equity Income Fund since its launch whilst ranking second lowest level of volatility amongst its sector peer group<sup>2</sup>.

Key contributors to absolute performance during the period were EMIS Group, resulting from a takeover approach from UnitedHealth a US Healthcare company; TP ICAP, which reported strong results and saw profit upgrades; and Telecom Plus, which announced strong trading and material profit upgrades including for outer years. Key detractors were Watkin Jones, after announcing reduced profit margin guidance for FY22 due to delayed sales from increased funding costs alongside the ramifications of the LDI crisis in the UK pensions market; Sabre Insurance, after announcing reduced profit margin guidance for FY22 and FY23 due to increased levels of claims inflation; and R&Q Insurance Holdings, following the rejected takeover by Brickell PC Insurance Holdings LLC and a subsequent \$125m fundraising.

#### Outlook

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

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

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

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

### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Investment Manager

16 February 2023

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



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

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

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

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

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

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

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

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

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

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'C' STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	137.77	113.51	124.21
Return before operating charges*	(8.70)	30.81	(5.97)
Operating charges	(1.04)	(1.11)	(0.95)
Return after operating charges	(9.74)	29.70	(6.92)
Distributions	(4.94)	(5.44)	(3.78)
Closing net asset value per share	123.09	137.77	113.51
* after direct transaction costs of:	0.42	0.63	0.41

#### PERFORMANCE

Return after charges	(7.07)%	26.17%	(5.57)%
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#### OTHER INFORMATION

Closing net asset value (£'000)	47,994	25,998	9,270
Closing number of shares	38,991,663	18,870,892	8,166,257
Operating charges	0.82%	0.85%	0.86%
Direct transaction costs	0.33%	0.47%	0.37%

#### PRICES

Highest share price	140.17	141.38	129.86
Lowest share price	113.97	114.70	89.70

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	164.10	129.82	137.15
Return before operating charges*	(10.32)	35.57	(6.27)
Operating charges	(1.26)	(1.29)	(1.06)
Return after operating charges	(11.58)	34.28	(7.33)
Distributions	(5.96)	(6.31)	(4.23)
Retained distributions on accumulation shares	5.96	6.31	4.23
Closing net asset value per share	152.52	164.10	129.82
* after direct transaction costs of:	0.50	0.73	0.45

##### PERFORMANCE

Return after charges	(7.06)%	26.41%	(5.34)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	75,025	45,004	21,738
Closing number of shares	49,189,317	27,425,514	16,744,110
Operating charges	0.82%	0.85%	0.86%
Direct transaction costs	0.33%	0.47%	0.37%

##### PRICES

Highest share price	166.94	165.44	143.37
Lowest share price	140.00	131.17	99.03

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	138.96	114.32	124.88
Return before operating charges*	(8.78)	31.04	(5.97)
Operating charges	(0.86)	(0.92)	(0.79)
Return after operating charges	(9.64)	30.12	(6.76)
Distributions	(4.98)	(5.48)	(3.80)
Closing net asset value per share	124.34	138.96	114.32
* after direct transaction costs of:	0.42	0.63	0.41

##### PERFORMANCE

Return after charges	(6.94)%	26.35%	(5.41)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	199,573	80,059	31,992
Closing number of shares	160,506,746	57,612,667	27,922,295
Operating charges	0.67%	0.70%	0.71%
Direct transaction costs	0.33%	0.47%	0.37%

##### PRICES

Highest share price	141.39	142.53	130.60
Lowest share price	115.10	115.53	90.23

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	165.62	130.84	138.01
Return before operating charges*	(10.39)	35.84	(6.29)
Operating charges	(1.04)	(1.06)	(0.88)
Return after operating charges	(11.43)	34.78	(7.17)
Distributions	(6.03)	(6.37)	(4.25)
Retained distributions on accumulation shares	6.03	6.37	4.25
Closing net asset value per share	154.19	165.62	130.84
* after direct transaction costs of:	0.51	0.73	0.46

##### PERFORMANCE

Return after charges	(6.90)%	26.58%	(5.20)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	59,732	51,716	11,858
Closing number of shares	38,740,550	31,224,795	9,063,613
Operating charges	0.67%	0.69%	0.71%
Direct transaction costs	0.33%	0.47%	0.37%

##### PRICES

Highest share price	168.49	166.98	144.29
Lowest share price	141.48	132.20	99.69

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' EURO ACCUMULATION SHARES

	31.12.22 <sup>1</sup> € per share
<b>CHANGE IN NET ASSETS PER SHARE</b>	
Opening net asset value per share	1.0000
Return before operating charges*	(0.0703)
Operating charges	(0.0062)
Return after operating charges	(0.0765)
Distributions	(0.0334)
Retained distributions on accumulation shares	0.0334
Closing net asset value per share	0.9235
* after direct transaction costs of:	0.2700

#### PERFORMANCE

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

Closing net asset value (£'000)	–
Closing number of shares	250
Operating charges	0.75% <sup>2</sup>
Direct transaction costs	0.33% <sup>2</sup>

#### PRICES

Highest share price	1.0374
Lowest share price	0.8553

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

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

**LF GRESHAM HOUSE UK MULTI CAP INCOME FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

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

	1 year	3 years	5 years
LF Gresham House UK Multi Cap Income Fund	(7.22)	10.64	41.08
IA UK Equity Income sector <sup>1</sup>	(2.19)	3.13	10.83

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

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 52 to 55.

**RISK WARNING**

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

# LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

## ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	CORPORATE BONDS – 0.00% (31.12.21 – 0.72%)	–	–
	UNITED KINGDOM – 84.39% (31.12.21 – 82.93%)		
	TECHNOLOGY – 3.05% (31.12.21 – 3.00%)		
	SOFTWARE AND COMPUTER SERVICES – 3.05% (31.12.21 – 3.00%)		
539,005	EMIS <sup>1</sup>	10,079	2.64
2,393,304	Vianet <sup>1</sup>	1,556	0.41
	TOTAL TECHNOLOGY	11,635	3.05
	TELECOMMUNICATIONS – 2.69% (31.12.21 – 3.45%)		
	TELECOMMUNICATIONS SERVICE PROVIDERS – 2.69% (31.12.21 – 3.45%)		
468,033	Telecom Plus	10,273	2.69
	TOTAL TELECOMMUNICATION	10,273	2.69
	HEALTH CARE – 7.81% (31.12.21 – 5.13%)		
	PHARMACEUTICALS AND BIOTECHNOLOGY – 7.81% (31.12.21 – 5.13%)		
289,067	Bioventix <sup>1</sup>	11,274	2.95
10,740,026	EKF Diagnostics <sup>1</sup>	5,155	1.35
934,147	GSK	13,429	3.51
	TOTAL HEALTH CARE	29,858	7.81
	FINANCIALS – 30.97% (31.12.21 – 26.98%)		
	FINANCE AND CREDIT SERVICES – 0.39% (31.12.21 – 0.80%)		
3,230,166	Orchard Funding <sup>1</sup>	1,486	0.39

# LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

## ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	INVESTMENT BANKING AND BROKERAGE SERVICES – 20.23% (31.12.21 – 18.50%)		
1,032,882	3i	13,846	3.62
4,429,879	Argentex <sup>1</sup>	5,493	1.44
789,000	Assetco <sup>1</sup>	529	0.14
1,411,721	Mattioli Woods <sup>1</sup>	8,612	2.25
6,813,456	Peel Hunt <sup>1</sup>	5,723	1.50
2,423,009	Schroders	10,564	2.76
1,714,735	Tatton Asset Management <sup>1</sup>	7,716	2.02
7,280,246	TP ICAP	12,668	3.31
8,787,304	XPS Pensions	12,214	3.19
		<u>77,365</u>	<u>20.23</u>
	CLOSED END INVESTMENTS – 4.86% (31.12.21 – 3.27%)		
5,588,702	Gresham House Energy Storage <sup>1,2,3</sup>	9,026	2.36
11,077,808	Hipgnosis Songs <sup>2</sup>	9,560	2.50
		<u>18,586</u>	<u>4.86</u>
	LIFE INSURANCE – 3.02% (31.12.21 – 2.38%)		
1,896,448	Phoenix	11,542	3.02
	NON-LIFE INSURANCE – 2.47% (31.12.21 – 2.03%)		
8,886,729	Sabre Insurance	9,455	2.47
	TOTAL FINANCIALS	<u>118,434</u>	<u>30.97</u>
	REAL ESTATE – 3.68% (31.12.21 – 5.49%)		
	REAL ESTATE INVESTMENT AND SERVICES DEVELOPMENT – 3.68% (31.12.21 – 4.19%)		
3,684,431	Belvoir Lettings <sup>1</sup>	7,074	1.85
3,145,314	Property Franchise <sup>1</sup>	6,983	1.83
		<u>14,057</u>	<u>3.68</u>
	REAL ESTATE INVESTMENT TRUSTS – 0.00% (31.12.21 – 1.30%)		
	TOTAL REAL ESTATE	<u>–</u>	<u>–</u>
		<u>14,057</u>	<u>3.68</u>

# LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

## ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	CONSUMER DISCRETIONARY – 17.24% (31.12.21 – 16.72%)		
	HOUSEHOLD GOODS AND HOME CONSTRUCTION – 2.65% (31.12.21 – 2.24%)		
10,118,714	Watkin Jones <sup>1</sup>	10,119	2.65
	MEDIA – 4.89% (31.12.21 – 4.44%)		
1,620,235	Bloomsbury Publishing	7,210	1.89
5,989,816	Moneysupermarket.com	11,488	3.00
		18,698	4.89
	RETAILERS – 6.37% (31.12.21 – 7.66%)		
2,774,514	B&M European Value Retail	11,412	2.98
5,035,803	Currys	2,699	0.71
4,943,425	Halfords	10,263	2.68
		24,374	6.37
	TRAVEL AND LEISURE – 3.33% (31.12.21 – 2.38%)		
3,348,630	Domino's Pizza	9,825	2.57
1,210,007	Ten Entertainment	2,904	0.76
		12,729	3.33
	TOTAL CONSUMER DISCRETIONARY	65,920	17.24
	CONSUMER STAPLES – 2.25% (31.12.21 – 2.43%)		
	FOOD PRODUCERS – 2.25% (31.12.21 – 2.43%)		
7,935,172	Premier Foods	8,618	2.25
	TOTAL CONSUMER STAPLES	8,618	2.25
	INDUSTRIALS – 16.70% (31.12.21 – 19.73%)		
	CONSTRUCTION AND MATERIALS – 3.04% (31.12.21 – 4.05%)		
3,438,975	Balfour Beatty	11,610	3.04

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	INDUSTRIAL SUPPORT SERVICES – 13.66% (31.12.21 – 14.83%)		
1,484,879	Alpha Financial Markets Consulting <sup>1</sup>	7,053	1.84
12,194,770	DWF	9,756	2.55
7,154,836	FRP Advisory <sup>1</sup>	11,305	2.96
61,943,273	Inspired Energy <sup>1</sup>	4,150	1.09
2,090,567	Ricardo	10,013	2.62
125,370	RWS Holdings <sup>1</sup>	470	0.12
1,210,760	Smart Metering Systems <sup>1</sup>	9,468	2.48
		<u>52,215</u>	<u>13.66</u>
	INDUSTRIAL TRANSPORTATION – 0.00% (31.12.21 – 0.85%)	–	–
	TOTAL INDUSTRIALS	<u>63,825</u>	<u>16.70</u>
	TOTAL UNITED KINGDOM	<u>322,620</u>	<u>84.39</u>
	BERMUDA – 1.29% (31.12.21 – 2.21%)		
8,494,841	R&Q Insurance <sup>1</sup>	<u>4,944</u>	<u>1.29</u>
	GUERNSEY – 2.36% (31.12.21 – 2.47%)		
26,515,221	Duke Royalty <sup>1</sup>	<u>9,015</u>	<u>2.36</u>
	ISLE OF MAN – 0.00% (31.12.21 – 0.93%)	–	–
	Portfolio of investments	336,579	88.04
	Net other assets	<u>45,745</u>	<u>11.96</u>
	Net assets	<u>382,324</u>	<u>100.00</u>

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

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

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

<sup>3</sup> Related party holding (see note 11).

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2022

Total purchases for the year £'000 (note 15)	219,364	Total sales for the year £'000 (note 15)	35,905
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Watkin Jones	11,216	Brewin Dolphin	8,999
Sabre Insurance	9,325	Speedy Hire	5,646
Hipgnosis Songs	9,291	Safestore	4,046
DWF	9,140	Telecom Plus	2,938
GSK	9,103	Bloomsbury Publishing	2,414
Moneysupermarket.com	7,584	Volution	2,259
Phoenix	7,454	Strix	1,951
3i	7,385	Clipper Logistics	1,898
R&Q Insurance	7,119	Alpha Financial Markets Consulting	1,563
Halfords	7,092	The Lakes Distillery 20% 20/6/2022	1,499

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 31 December 2022

	Notes	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Income:					
Net capital (losses)/gains	3		(25,531)		19,268
Revenue	4	11,621		4,854	
Expenses	5	(2,099)		(865)	
Net revenue before taxation		9,522		3,989	
Taxation	6	(43)		(64)	
Net revenue after taxation			9,479		3,925
Total return before distributions			(16,052)		23,193
Distributions	7		(11,578)		(4,790)
Change in net assets attributable to shareholders from investment activities			(27,630)		18,403

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

for the year ended 31 December 2022

	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Opening net assets attributable to shareholders		202,777		74,788
Amounts receivable on issue of shares	245,259		119,248	
Amounts payable on redemption of shares	(42,902)		(11,987)	
		202,357		107,261
Change in net assets attributable to shareholders from investment activities		(27,630)		18,403
Retained distributions on Accumulation shares		4,820		2,325
Closing net assets attributable to shareholders		382,324		202,777

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 December 2022

	Notes	31.12.22 £'000	31.12.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		336,579	181,007
Current assets			
Debtors	8	1,969	1,792
Cash and bank balances	9	48,175	21,826
<b>Total assets</b>		<u>386,723</u>	<u>204,625</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	10	(2,173)	(866)
Other creditors	10	(2,226)	(982)
<b>Total liabilities</b>		<u>(4,399)</u>	<u>(1,848)</u>
<b>Net assets attributable to shareholders</b>		<u>382,324</u>	<u>202,777</u>

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

#### 1. Accounting Policies

The accounting policies described on pages 17 to 19 have been applied to the financial statements of the Fund in the current and prior year.

#### 2. Distribution Policies

The distribution policies described on page 19 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to this Fund.

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

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

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

	31.12.22 £'000	31.12.21 £'000
Non-derivative securities	(25,524)	19,274
Transaction charges	(7)	(6)
Net capital (losses)/gains	(25,531)	19,268

#### 4. Revenue

	31.12.22 £'000	31.12.21 £'000
Non-taxable dividends	11,189	4,546
UK property income distributions	77	43
Interest on debt securities	162	265
Bank interest	193	–
Total revenue	11,621	4,854

# **LF GRESHAM HOUSE UK MULTI CAP INCOME FUND**

## **FINANCIAL STATEMENTS** *continued*

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

for the year ended 31 December 2022

### **5. Expenses**

	31.12.22 £'000	31.12.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,908	760
Legal and professional fees	13	10
Typesetting costs	3	4
Registration fees	86	35
	2,010	809
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	64	38
Safe custody and other bank charges	15	10
	79	48
Other expenses:		
Audit fees	9	8
Professional fees	1	–
	10	8
Total expenses	2,099	865

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

### **6. Taxation**

	31.12.22 £'000	31.12.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	43	64
Current tax charge	43	64
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	43	64

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

b) Factors affecting the tax charge for the year

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

	31.12.22 £'000	31.12.21 £'000
Net revenue before taxation	9,522	3,989
Corporation tax at 20%	1,904	798
Effects of:		
Non-taxable dividends	(2,238)	(909)
Prior year adjustment	1	-
Unutilised excess management expenses	333	111
Corporation tax charge	-	-
Overseas tax	43	64
Total tax charge (note 6a)	43	64

c) Deferred tax

At the year end there is a potential deferred tax asset of £555,000 (31.12.21: £222,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 7. Distribution

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

	31.12.22 £'000	31.12.21 £'000
First Interim	2,101	644
Second Interim	2,896	1,279
Third Interim	4,051	1,742
Final	3,346	1,649
	12,394	5,314
Add: Revenue deducted on redemption of shares	238	57
Deduct: Revenue received on issue of shares	(1,054)	(581)
Net distributions for the year	11,578	4,790

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

Details of the distributions per share are set out in the table on pages 52 to 55.

	31.12.22 £'000	31.12.21 £'000
Distributions represented by:		
Net revenue after taxation	9,479	3,925
Allocations to capital:		
Expenses	2,099	865
Net distributions for the year	11,578	4,790

#### 8. Debtors

	31.12.22 £'000	31.12.21 £'000
Amounts receivable for issue of shares	1,001	1,109
Accrued revenue:		
Non-taxable dividends	968	610
Interest from debt securities	–	73
	968	683
Total debtors	1,969	1,792

#### 9. Cash and Bank Balances

	31.12.22 £'000	31.12.21 £'000
Bank balances	48,175	21,826
Total cash and bank balances	48,175	21,826

#### 10. Creditors

	31.12.22 £'000	31.12.21 £'000
Distribution payable	2,173	866
<b>Other Creditors</b>		
Amounts payable for redemption of shares	1,369	42

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

	31.12.22 £'000	31.12.21 £'000
Purchases awaiting settlement	617	804
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	209	106
Legal and professional fees	1	1
Typesetting costs	2	3
Registration fees	9	5
	221	115
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	6	4
Transaction charges	1	2
Safe custody and other bank charges	3	–
	10	6
Other expenses	9	15
Total other creditors	2,226	982

#### 11. Related Party Transactions

The Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the ACD'), registration fees payable to Link Fund Administrators Limited and typesetting costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 38 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited which is a related party of the Investment Manager held 31,928 (31.12.21: 15,883) of the Fund's shares at the balance sheet date.

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

Clearstream Banking	33.88% (31.12.21: 12.29%)
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## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Investment Manager or for which Link Fund Solutions Limited is also the ACD.

At the balance sheet date the value of the holdings was as follows:

	31.12.22 £'000	31.12.21 £'000
Investment Manager in common	9,026	4,105

### 12. Contingent Liabilities and Commitments

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

### 13. Shares in Issue

	'C' Sterling Income	'C' Sterling Accumulation	'F' Sterling Income
Annual Management Charge	0.75%	0.75%	0.60%
Opening shares in issue	18,870,892	27,425,514	57,612,667
Issues	22,537,327	39,742,022	105,499,176
Redemptions	(2,436,250)	(17,989,134)	(2,585,592)
Conversions	19,694	10,915	(19,505)
Closing shares in issue	38,991,663	49,189,317	160,506,746

  

	'F' Sterling Accumulation	'C' Euro Accumulation
Annual Management Charge	0.60%	0.75%
Opening shares in issue	31,224,795	–
Issues	13,608,081	250
Redemptions	(6,081,520)	–
Conversions	(10,806)	–
Closing shares in issue	38,740,550	250

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 14. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

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

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

##### (A) CREDIT RISK

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

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

##### (B) INTEREST RATE RISK

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

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

The table below shows the direct interest rate risk profile:

	31.12.22 £'000	31.12.21 £'000
Fixed rate investments	–	1,465
Investments on which interest is not paid	336,579	179,542
Total investments	336,579	181,007

Investments on which interest is not paid include equities and closed end funds.

#### (C) FOREIGN CURRENCY RISK

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

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

#### (D) LEVERAGE

The Fund did not employ any significant leverage during the current or prior year.

#### (E) LIQUIDITY RISK

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

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

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

Based on this analysis 28.40% of the portfolio can be liquidated within 5 days and 44.71% within 21 working days (31.12.21: 36.56% within 5 days and 60.28% within 21 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

#### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £16,829,000 (31.12.21: £9,050,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 15. Portfolio Transaction Costs

31.12.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	205,616	358	537	206,511
Collective investment schemes	12,734	20	2	12,756
Debt securities	97	–	–	97
Purchases total	<u>218,447</u>	<u>378</u>	<u>539</u>	<u>219,364</u>
<i>Transaction cost % of purchases total</i>		0.17%	0.25%	
<i>Transaction cost % of average NAV</i>		0.13%	0.18%	
Ordinary shares	34,452	(46)	–	34,406
Debt securities	1,499	–	–	1,499
Sales total	<u>35,951</u>	<u>(46)</u>	<u>–</u>	<u>35,905</u>
<i>Transaction cost % of sales total</i>		0.13%	–	
<i>Transaction cost % of average NAV</i>		0.02%	–	

Average portfolio dealing spread at 31.12.22 is 1.35% (31.12.21: 1.73%).

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

31.12.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	105,864	188	352	106,404
Collective investment schemes	1,748	2	4	1,754
Debt securities	235	–	–	235
Purchases total	107,847	190	356	108,393
<i>Transaction cost % of purchases total</i>		0.18%	0.33%	
<i>Transaction cost % of average NAV</i>		0.16%	0.30%	
Ordinary shares	15,347	(15)	–	15,332
Debt securities	32	–	–	32
Sales total	15,379	(15)	–	15,364
<i>Transaction cost % of sales total</i>		0.10%	–	
<i>Transaction cost % of average NAV</i>		0.01%	–	

The collective investment schemes include closed end funds.

### 16. Fair Value Hierarchy

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

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

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

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

31.12.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	336,579	–	–	336,579

  

31.12.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	179,542	–	1,465	181,007

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 17. Subsequent Events

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

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

# LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

## FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE

for the year ended 31 December 2022 – per share

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	First Interim	Second Interim	Third Interim	Final
From	01.01.22	01.04.22	01.07.22	01.10.22
To	31.03.22	30.06.22	30.09.22	31.12.22

#### ‘C’ STERLING INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 31.05.22	Paid 31.05.21
Group 1	1.0649	–	1.0649	0.9041
Group 2	0.6637	0.4012	1.0649	0.9041

Second Interim	Net Revenue	Equalisation	Paid 31.08.22	Paid 31.08.21
Group 1	1.3067	–	1.3067	1.7642
Group 2	0.6634	0.6433	1.3067	1.7642

Third Interim	Net Revenue	Equalisation	Paid 30.11.22	Paid 30.11.21
Group 1	1.4852	–	1.4852	1.6452
Group 2	1.2608	0.2244	1.4852	1.6452

Final	Net Revenue	Equalisation	Payable 28.02.23	Paid 28.02.22
Group 1	1.0804	–	1.0804	1.1250
Group 2	0.5109	0.5695	1.0804	1.1250

#### ‘C’ STERLING ACCUMULATION SHARES

First Interim	Net Revenue	Equalisation	Allocated 31.05.22	Allocated 31.05.21
Group 1	1.2648	–	1.2648	1.0335
Group 2	0.9013	0.3635	1.2648	1.0335

# LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

## FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

Second Interim	Net Revenue	Equalisation	Allocated 31.08.22	Allocated 31.08.21
Group 1	1.5686	–	1.5686	2.0306
Group 2	0.7801	0.7885	1.5686	2.0306
Third Interim	Net Revenue	Equalisation	Allocated 30.11.22	Allocated 30.11.21
Group 1	1.8024	–	1.8024	1.9189
Group 2	0.8977	0.9047	1.8024	1.9189
Final	Net Revenue	Equalisation	Allocation 28.02.23	Allocated 28.02.22
Group 1	1.3270	–	1.3270	1.3285
Group 2	0.5973	0.7297	1.3270	1.3285
<b>‘F’ STERLING INCOME SHARES</b>				
First Interim	Net Revenue	Equalisation	Paid 31.05.22	Paid 31.05.21
Group 1	1.0748	–	1.0748	0.9106
Group 2	0.6812	0.3936	1.0748	0.9106
Second Interim	Net Revenue	Equalisation	Paid 31.08.22	Paid 31.08.21
Group 1	1.3188	–	1.3188	1.7776
Group 2	0.5738	0.7450	1.3188	1.7776
Third Interim	Net Revenue	Equalisation	Paid 30.11.22	Paid 30.11.21
Group 1	1.4999	–	1.4999	1.6578
Group 2	0.8205	0.6794	1.4999	1.6578
Final	Net Revenue	Equalisation	Payable 28.02.23	Paid 28.02.22
Group 1	1.0914	–	1.0914	1.1343
Group 2	0.3809	0.7105	1.0914	1.1343

# LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

## FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

#### 'F' STERLING ACCUMULATION SHARES

First Interim	Net Revenue	Equalisation	Allocated 31.05.22	Allocated 31.05.21
Group 1	1.2792	–	1.2792	1.0418
Group 2	0.7630	0.5162	1.2792	1.0418
Second Interim	Net Revenue	Equalisation	Allocated 31.08.22	Allocated 31.08.21
Group 1	1.5842	–	1.5842	2.0488
Group 2	0.8663	0.7179	1.5842	2.0488
Third Interim	Net Revenue	Equalisation	Allocated 30.11.22	Allocated 30.11.21
Group 1	1.8211	–	1.8211	1.9357
Group 2	1.3941	0.4270	1.8211	1.9357
Final	Net Revenue	Equalisation	Allocation 28.02.23	Allocated 28.02.22
Group 1	1.3412	–	1.3412	1.3405
Group 2	0.8847	0.4565	1.3412	1.3405

#### 'C' EURO ACCUMULATION SHARES<sup>1</sup>

First Interim	Net Revenue	Equalisation	Allocated 31.05.22
Group 1	0.5000	–	0.5000
Group 2	0.5000	0.0000	0.5000
Second Interim	Net Revenue	Equalisation	Allocated 31.08.22
Group 1	0.9480	–	0.9480
Group 2	0.9480	0.0000	0.9480

<sup>1</sup> No comparative figures as the 'C' Euro Accumulation share class was launched on 21 February 2022.

## LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

Third Interim	Net Revenue	Equalisation	Allocated 30.11.22
Group 1	1.1000	–	1.1000
Group 2	1.1000	0.0000	1.1000
Final	Net Revenue	Equalisation	Allocation 28.02.23
Group 1	0.7920	–	0.7920
Group 2	0.7920	0.0000	0.7920

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND ACD'S REPORT

for the year ended 31 December 2022

### Important Information

Please refer to the Important Information section on page 4.

### Investment Objective and Policy

The LF Gresham House UK Smaller Companies Fund ('the Fund') aims to provide capital growth over the long term (in excess of 5 years).

The Fund will directly invest at least 70% of its assets in shares of smaller-sized UK companies. These are listed companies with a market capitalisation within the lowest 10% of the listed UK equities markets that are either domiciled, incorporated or have a significant portion of their business (which will be considered by reference to revenue, profits and/or assets depending on the nature of the business) in the UK.

The Fund may also invest in shares of medium and large sized UK companies, unlisted companies, collective investment schemes (which may include other funds managed by the ACD, funds to which the Investment Manager provides investment management services and associates of the ACD and Investment Manager), warrants, money market instruments, deposits, cash, or near cash.

Derivatives and forward transactions may be used for Efficient Portfolio Management purposes.

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

#### Benchmark

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

The Fund's performance may be compared against the IA UK Smaller Companies sector. The ACD believes that this is an appropriate comparator benchmark for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. The comparator benchmark has been selected as the ACD considers it assists investors in evaluating the Fund's performance against the performance of other funds invested in similar assets. The Fund is not constrained by the comparator benchmark and may take positions that differ significantly from the comparator benchmark.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Smaller Companies Fund

28 April 2023

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2022

#### Investment Strategy

The Fund was launched on 1 February 2019 with a policy of investing primarily in UK listed small companies, with a focus on capital appreciation over the medium to long term. The Fund is targeting consistent annual returns from a mix of quality, growth and recovery investment opportunities based on a fundamentals-based approach combined with valuation discipline.

The Fund's investment strategy seeks to leverage the Manager's core expertise, network and experience in investing in small and mid-sized UK businesses within its key sectors (consumer, technology, media and telecom, business services and healthcare & education), avoiding excessive cyclical exposure. The Fund aims to benefit from the wider Gresham House platform of research and investment professionals, as well as its private equity and strategic public equity heritage and network of entrepreneurs, business leaders and industry specialists.

Fund composition aims to reflect the Manager's high conviction style, comprising a relatively concentrated portfolio of undervalued stocks with the potential to grow shareholder value over the longer term.

#### Movements in Net Asset Value

As at 31 December 2022 the gross NAV of the Fund was £65.9m<sup>1</sup>, of which 90.8% was invested in UK equities. This compared to a NAV of £38.9m<sup>1</sup> at the beginning of the period. The increase in NAV was due to net inflows from shareholders amounting to £35.0m, despite a negative revaluation of the portfolio of £8.0m. The Fund generated a capital return of negative 16.0%<sup>2</sup> over the period (based on 'C' Sterling Accumulation share class) compared to the IA UK Smaller Companies sector which returned a negative 25.6%<sup>3</sup>.

#### Investment Activity

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

Investment activity was material during the period with the team deploying a total of £48.9m; the number of portfolio companies decreased from 47 to 40 as of 31 December 2022. This activity represented a focus on increasing existing positions and nine new investments, supplemented with several exits as the Manager focused on downside risk assessment in the context of the deteriorating economic environment.

Most of the Fund's holdings are in companies where the Manager has extensive knowledge and experience built up over many years.

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

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

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

#### DIVESTMENTS

Divestment was active during the year with a number of positions fully exited. In aggregate, £14.9m was received from the proceeds of divestments realising an aggregate negative return of 0.9%.

The Fund benefitted from the ongoing elevated level of corporate activity that proceeded to play out during the period. Completed takeovers included Clinigen (+19.4%), Clipper Logistics (+30.9%), and Euromoney (+46.2%). There were also other takeover approaches across the portfolio including an approach for EMIS by UnitedHealth Group, an approach for Devro by Saria, and an approach for RPS Group by Tetra Tech.

Full exits not relating to takeover activity included Accrol (-44.3%), Close Brothers (-17.6%), DFS (-18.5%), IG Design Group (-72.9%), Reach (-11.5%), Redde Northgate (+11.1%), Serco (+7.7%), Speedy Hire (-24.6%), Tyman (-45.8%), Volution Group (+4.2%) and Young & Co's (-7.0%). The majority of the above full divestments were related to a change in the Manager's view of the ongoing prospects of the company following a detailed portfolio risk review undertaken during the period.

Other divestments were part of a process of profit taking in strong performers, often those companies with resilient business models that had traded well and where the shares had outperformed but where the Manager felt that valuations had become stretched or where there were better opportunities to redeploy the capital. For example, the Fund took profits in Alpha FMC, a global consultancy to the financial services sector; in Kape Technologies, a global cybersecurity software business; and in Telecom Plus, a UK multi-utility supplier to >800,000 households.

#### NEW INVESTMENTS

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

A number of top-ups were made at attractive entry points across many holdings, including: FRP Advisory, Halfords, Restore, Sabre Insurance, Ten Entertainment, Watkin Jones and XPS Pensions (amongst several other follow-ons).

In contrast to the prior year, deal activity was relatively muted, with a number of IPOs either being delayed or cancelled and limited fundraising activity across the portfolio, highlighting the relative balance sheet strength of the companies we tend to invest in. The Fund did however add to its position in R&Q Insurance Holdings as part of its placing to raise \$125m, which was launched following the rejection at the special general meeting of a takeover offer from Brickell PC Insurance Holdings LLC.

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Nine new investments were made during 2022 into Brooks Macdonald, a UK national wealth manager and investment adviser; DWF, a global legal and insurance support services business; Franchise Brands, an aggregator of defensive B2B and B2C franchise businesses including Filta, Metro Rod and Chips Away; Learning Technologies Group, an international provider of workplace digital learning and talent management solutions; Medica Group, an international outsourced teleradiology service provider; Moneysupermarket, a UK price comparison website operator; Moonpig, a UK e-commerce provider of personalised greeting cards, flowers, gifts and experiences; Team 17 Group, an independent video game developer and publisher; and Wilmington Group, an international publisher, information service and training provider specialising in the compliance, legal and healthcare sectors.

#### Investment Performance

The Fund was ranked 6<sup>th</sup> out of 50 in the IA UK Smaller Companies Sector delivering a negative return of 16.0% at 31 December 2022 (based on the 'C' Sterling Accumulation share class) compared to the IA UK Smaller Companies sector which returned a negative 25.6%<sup>2</sup>.

Key contributors to absolute performance during the period were Telecom Plus, whose full year profits materially exceeded market expectations; as well as RPS Group and EMIS Group, which both received a takeover approaches during the period as detailed above.

Detractors during the period were R&Q Insurance Holdings, following its unsuccessful recommended takeover offer, which led to a subsequent equity issuance; Devolver Digital, following a profit downgrade and weakening outlook, Watkin Jones, following a profit warning and near-term concerns over the UK housebuilding outlook; and Tribal Group, due to an unexpected onerous contract provision in relation to a material contract.

#### Outlook

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

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

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

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

### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Investment Manager

16 February 2023

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



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

The Fund has been classed as 6 because its volatility has been measured as above average to high.

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

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

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

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

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

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'C' STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	172.20	137.78	124.60
Return before operating charges*	(25.34)	37.27	15.13
Operating charges	(1.50)	(1.68)	(1.95)
Return after operating charges	(26.84)	35.59	13.18
Distributions	(2.24)	(1.17)	–
Closing net asset value per share	143.12	172.20	137.78
* after direct transaction costs of:	0.69	2.37	0.69

##### PERFORMANCE

Return after charges	(15.59)%	25.83%	10.58%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1	102	–
Closing number of shares	740	58,998	250
Operating charges	1.00% <sup>1</sup>	1.02% <sup>1</sup>	1.76%
Direct transaction costs	0.46%	1.44%	0.62%

##### PRICES

Highest share price	175.14	181.66	139.57
Lowest share price	134.84	138.46	76.75

<sup>1</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 1.00% is not exceeded.

# LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

## ACD'S REPORT *continued*

## FUND INFORMATION *continued*

### Comparative Tables *continued*

#### 'C' STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	174.83	138.98	125.02
Return before operating charges*	(25.79)	38.01	15.92
Operating charges	(1.52)	(2.16)	(1.96)
Return after operating charges	(27.31)	35.85	13.96
Distributions	(2.27)	(1.20)	–
Retained distributions on accumulation shares	2.27	1.20	–
Closing net asset value per share	147.52	174.83	138.98
* after direct transaction costs of:	0.70	2.39	0.70

#### PERFORMANCE

Return after charges	(15.62)%	25.80%	11.17%
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#### OTHER INFORMATION

Closing net asset value (£'000)	28,743	19,565	4,624
Closing number of shares	19,483,526	11,191,088	3,326,745
Operating charges	1.00% <sup>1</sup>	1.30% <sup>1</sup>	1.76%
Direct transaction costs	0.46%	1.44%	0.62%

#### PRICES

Highest share price	177.79	183.25	140.78
Lowest share price	136.86	139.69	77.06

<sup>1</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 1.00% is not exceeded.

# LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

## ACD'S REPORT *continued*

## FUND INFORMATION *continued*

### Comparative Tables *continued*

#### 'F' STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 <sup>1</sup> pence per share
Opening net asset value per share	104.16	100.00
Return before operating charges*	(15.40)	5.83
Operating charges	(0.46)	(0.34)
Return after operating charges	(15.86)	5.49
Distributions	(1.81)	(1.33)
Closing net asset value per share	86.49	104.16
* after direct transaction costs of:	0.42	0.96

#### PERFORMANCE

Return after charges	(15.23)%	5.49%
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#### OTHER INFORMATION

Closing net asset value (£'000)	6,574	2,266
Closing number of shares	7,600,326	2,175,729
Operating charges	0.50% <sup>3</sup>	0.51% <sup>2,3</sup>
Direct transaction costs	0.46%	2.25% <sup>2</sup>

#### PRICES

Highest share price	105.95	110.28
Lowest share price	81.83	99.91

<sup>1</sup> From 13 May 2021.

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

<sup>3</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 0.50% is not exceeded.

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 <sup>1</sup> pence per share
Opening net asset value per share	105.45	100.00
Return before operating charges*	(15.62)	5.78
Operating charges	(0.46)	(0.33)
Return after operating charges	(16.08)	5.45
Distributions	(1.83)	(1.30)
Retained distributions on accumulation shares	1.83	1.30
Closing net asset value per share	89.37	105.45
* after direct transaction costs of:	0.42	0.96

##### PERFORMANCE

Return after charges	(15.25)%	5.45%
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##### OTHER INFORMATION

Closing net asset value (£'000)	30,162	16,622
Closing number of shares	33,748,437	15,763,176
Operating charges	0.50% <sup>3</sup>	0.50% <sup>2,3</sup>
Direct transaction costs	0.46%	2.25% <sup>2</sup>

##### PRICES

Highest share price	107.24	110.28
Lowest share price	82.83	99.89

<sup>1</sup> From 13 May 2021.

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

<sup>3</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 0.50% is not exceeded.

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' EURO ACCUMULATION SHARES

	31.12.22 <sup>1</sup> € per share
<b>CHANGE IN NET ASSETS PER SHARE</b>	
Opening net asset value per share	1.0000
Return before operating charges*	(0.1354)
Operating charges	(0.0001)
Return after operating charges	(0.1355)
Distributions	(0.0171)
Retained distributions on accumulation shares	0.0171
Closing net asset value per share	0.8645
* after direct transaction costs of:	–

#### PERFORMANCE

Return after charges	(13.55)%
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#### OTHER INFORMATION

Closing net asset value (£'000)	–
Closing number of shares	250
Operating charges	0.91% <sup>2,3</sup>
Direct transaction costs	0.46%

#### PRICES

Highest share price	0.9944
Lowest share price	0.8110

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

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

<sup>3</sup> The Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 1.00% is not exceeded.

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

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

	1 year	3 years	Since launch <sup>1</sup>
LF Gresham House UK Smaller Companies Fund	(15.97)	16.98	48.15
IA UK Smaller Companies sector <sup>2</sup>	(25.61)	(3.98)	14.94

<sup>1</sup> Launch date 1 February 2019.

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

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 86 and 87.

#### RISK WARNING

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	UNITED KINGDOM – 89.67% (31.12.21 – 84.44%)		
	TECHNOLOGY – 10.38% (31.12.21 – 6.17%)		
	SOFTWARE AND COMPUTER SERVICES – 10.38% (31.12.21 – 6.17%)		
87,541	EMIS <sup>1</sup>	1,637	2.50
603,933	Kape Technologies <sup>1</sup>	1,661	2.54
500,000	Learning Technologies	577	0.88
1,016,953	Moneysupermarket.com	1,951	2.98
2,210,407	Tribal <sup>1</sup>	973	1.48
	TOTAL TECHNOLOGY	6,799	10.38
	TELECOMMUNICATIONS – 2.42% (31.12.21 – 2.27%)		
	TELECOMMUNICATIONS SERVICE PROVIDERS – 2.42% (31.12.21 – 2.27%)		
72,177	Telecom Plus	1,584	2.42
	TOTAL TELECOMMUNICATIONS	1,584	2.42
	HEALTH CARE – 3.69% (31.12.21 – 2.60%)		
	MEDICAL EQUIPMENT AND SERVICES – 3.69% (31.12.21 – 0.00%)		
1,752,312	Medica	2,418	3.69
	PHARMACEUTICALS AND BIOTECHNOLOGY – 0.00% (31.12.21 – 2.60%)	–	–
	TOTAL HEALTH CARE	2,418	3.69
	FINANCIALS – 16.74% (31.12.21 – 11.92%)		
	BANKS – 0.00% (31.12.21 – 1.37%)	–	–

# LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

## ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	INVESTMENT BANKING AND BROKERAGE SERVICES – 13.77% (31.12.21 – 8.53%)		
151,040	AssetCo <sup>l</sup>	101	0.16
87,428	Brooks MacDonald <sup>l</sup>	1,836	2.80
134,872	Liontrust	1,502	2.29
1,280,353	Peel Hunt <sup>l</sup>	1,076	1.64
1,259,652	TP ICAP	2,192	3.35
1,661,764	XPS Pensions	2,310	3.53
		<u>9,017</u>	<u>13.77</u>
	OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES – 0.34% (31.12.21 – 0.70%)		
1,227,036	TMT Acquisition	<u>221</u>	<u>0.34</u>
	NON-LIFE INSURANCE – 2.63% (31.12.21 – 1.32%)		
1,617,871	Sabre Insurance	<u>1,721</u>	<u>2.63</u>
	TOTAL FINANCIALS	<u>10,959</u>	<u>16.74</u>
	REAL ESTATE – 1.82% (31.12.21 – 2.11%)		
	REAL ESTATE INVESTMENT AND SERVICES DEVELOPMENT – 1.82% (31.12.21 – 2.11%)		
478,154	LSL Property Services	<u>1,195</u>	<u>1.82</u>
	TOTAL REAL ESTATE	<u>1,195</u>	<u>1.82</u>
	CONSUMER DISCRETIONARY – 21.67% (31.12.21 – 21.93%)		
	HOUSEHOLD GOODS AND HOME CONSTRUCTION – 2.59% (31.12.21 – 5.95%)		
1,698,181	Watkin Jones <sup>l</sup>	<u>1,698</u>	<u>2.59</u>
	LEISURE GOODS – 3.23% (31.12.21 – 1.91%)		
685,918	Devolver Digital <sup>l</sup>	425	0.65
379,389	Team17	<u>1,688</u>	<u>2.58</u>
		<u>2,113</u>	<u>3.23</u>

# LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

## ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	MEDIA – 4.29% (31.12.21 – 4.62%)		
131,390	Next Fifteen Communications <sup>1</sup>	1,301	1.99
500,000	Wilmington	1,510	2.30
		<u>2,811</u>	<u>4.29</u>
	RETAILERS – 5.88% (31.12.21 – 3.07%)		
1,056,617	Halfords	2,194	3.35
1,500,000	Moonpig	1,655	2.53
		<u>3,849</u>	<u>5.88</u>
	TRAVEL AND LEISURE – 5.68% (31.12.21 – 6.38%)		
620,001	Loungers <sup>1</sup>	1,104	1.69
712,121	TEN Entertainment	1,709	2.61
838,357	The Gym	904	1.38
		<u>3,717</u>	<u>5.68</u>
	TOTAL CONSUMER DISCRETIONARY	<u>14,188</u>	<u>21.67</u>
	CONSUMER STAPLES – 5.48% (31.12.21 – 4.04%)		
	FOOD PRODUCERS – 5.48% (31.12.21 – 4.04%)		
656,704	Devro	2,023	3.09
1,443,292	Premier Foods	1,567	2.39
	TOTAL CONSUMER STAPLES	<u>3,590</u>	<u>5.48</u>
	INDUSTRIALS – 23.08% (31.12.21 – 33.40%)		
	CONSTRUCTION AND MATERIALS – 2.57% (31.12.21 – 6.48%)		
498,293	Balfour Beatty	1,682	2.57
	GENERAL INDUSTRIALS – 0.00% (31.12.21 – 2.28%)	<u>–</u>	<u>–</u>
	INDUSTRIAL ENGINEERING – 1.87% (31.12.21 – 2.10%)		
1,164,178	Flowtech Fluidpower <sup>1</sup>	1,222	1.87

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	INDUSTRIAL SUPPORT SERVICES – 18.64% (31.12.21 – 21.18%)		
393,729	Alpha Financial Markets Consulting <sup>1</sup>	1,870	2.85
2,050,337	DWF	1,640	2.50
1,312,692	FRP Advisory <sup>1</sup>	2,074	3.17
10,436,228	Inspired <sup>1</sup>	699	1.07
567,992	Mears	1,159	1.77
447,399	Restore <sup>1</sup>	1,454	2.22
361,110	Ricardo	1,728	2.64
202,329	Smart Metering Systems <sup>1</sup>	1,582	2.42
		<u>12,206</u>	<u>18.64</u>
	INDUSTRIAL TRANSPORTATION – 0.00% (31.12.21 – 1.36%)	<u>–</u>	<u>–</u>
	TOTAL INDUSTRIALS	<u>15,110</u>	<u>23.08</u>
	UTILITIES – 4.39% (31.12.21 – 0.00%)		
	WASTE AND DISPOSAL SERVICES – 4.39% (31.12.21 – 0.00%)		
1,473,578	Franchise Brands	2,874	4.39
	TOTAL UTILITIES	<u>2,874</u>	<u>4.39</u>
	TOTAL UNITED KINGDOM	<u>58,717</u>	<u>89.67</u>
	BERMUDA – 1.28% (31.12.21 – 2.58%)		
1,441,823	R&Q Insurance <sup>1</sup>	839	1.28
	Portfolio of investments	59,556	90.95
	Net other assets	5,924	9.05
	Net assets	<u>65,480</u>	<u>100.00</u>

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

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2022

Total purchases for the year £'000 (note 15)	48,906	Total sales for the year £'000 (note 15)	14,474
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Medica	2,686	RPS	2,311
Moneysupermarket.com	2,230	Clinigen	1,952
Franchise Brands	2,196	Redde Northgate	1,382
Watkin Jones	1,954	Euromoney Institutional Investor	1,353
Brooks MacDonald	1,911	Speedy Hire	990
Sabre Insurance	1,888	Coats	961
Moonpig	1,794	Reach	643
DWF	1,716	Volution	600
Halfords	1,705	Clipper Logistics	577
Team17	1,658	Tyman	511

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 31 December 2022

	Notes	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Income:					
Net capital (losses)/gains	3		(7,979)		1,535
Revenue	4	1,316		243	
Expenses	5	(364)		(126)	
Net revenue before taxation		952		117	
Taxation	6	–		–	
Net revenue after taxation			952		117
Total return before distributions			(7,027)		1,652
Distributions	7		(952)		(117)
Change in net assets attributable to shareholders from investment activities			(7,979)		1,535

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

for the year ended 31 December 2022

	Note	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Opening net assets attributable to shareholders			38,555		4,624
Amounts receivable on issue of shares		37,458		32,260	
Amounts payable on redemption of shares		(3,629)		(203)	
			33,829		32,057
Dilution levy	1(H)		15		–
Change in net assets attributable to shareholders from investment activities			(7,979)		1,535
Retained distributions on Accumulation shares			1,060		339
Closing net assets attributable to shareholders			65,480		38,555

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 December 2022

	Notes	31.12.22 £'000	31.12.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		59,556	33,551
Current assets			
Debtors	8	124	104
Cash and bank balances	9	6,076	4,964
<b>Total assets</b>		<b>65,756</b>	<b>38,619</b>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	10	(137)	(30)
Other creditors	10	(139)	(34)
<b>Total liabilities</b>		<b>(276)</b>	<b>(64)</b>
<b>Net assets attributable to shareholders</b>		<b>65,480</b>	<b>38,555</b>

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

#### 1. Accounting Policies

The accounting policies described on pages 17 to 19 have been applied to the financial statements of the Fund in the current and prior year.

#### 2. Distribution Policies

The distribution policies described on page 19 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	31.12.22 £'000	31.12.21 £'000
Non-derivative securities	(7,974)	1,538
Transaction charges	(5)	(3)
Net capital (losses)/gains	(7,979)	1,535

#### 4. Revenue

	31.12.22 £'000	31.12.21 £'000
Non-taxable dividends	1,285	243
Bank interest	31	–
Total revenue	1,316	243

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 5. Expenses

	31.12.22 £'000	31.12.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	316	90
Legal and professional fees	12	8
Typesetting costs	3	4
Registration fees	15	3
Refund of expenses from Investment Manager	(17)	(4)
	329	101
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	19	15
Safe custody and other bank charges	6	1
	25	16
Other expenses:		
Audit fees	9	9
Professional fees	1	–
	10	9
Total expenses	364	126

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

#### 6. Taxation

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

b) Factors affecting the tax charge for the year

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

	31.12.22 £'000	31.12.21 £'000
Net revenue before taxation	952	117
Corporation tax at 20%	190	23
Effects of:		
Non-taxable dividends	(257)	(48)
Unutilised excess management expenses	67	25
Corporation tax charge	-	-
Total tax charge (note 6a)	-	-

c) Deferred tax

At the year end there is a potential deferred tax asset of £114,000 (31.12.21: £47,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 7. Distributions

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

	31.12.22 £'000	31.12.21 £'000
Final	1,197	369
Add: Revenue deducted on redemption of shares	37	2
Deduct: Revenue received on issue of shares	(282)	(254)
Net distributions for the year	952	117

Details of the distributions per share are set out in the table on pages 86 and 87.

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 8. Debtors

	31.12.22 £'000	31.12.21 £'000
Amounts receivable for issue of shares	11	50
Accrued revenue:		
Non-taxable dividends	106	50
Amounts due from the Investment Manager:		
Refund of expenses	7	4
Total debtors	124	104

#### 9. Cash and Bank Balances

	31.12.22 £'000	31.12.21 £'000
Bank balances	6,076	4,964
Total cash and bank balances	6,076	4,964

#### 10. Creditors

	31.12.22 £'000	31.12.21 £'000
Distribution payable	137	30
<b>Other Creditors</b>		
Amounts payable for redemption of shares	29	–
Purchases awaiting settlement	58	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	34	19
Typesetting costs	2	4
Registration fees	2	1
	38	24

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

	31.12.22 £'000	31.12.21 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	1
Transaction charges	1	–
Safe custody and other bank charges	1	–
	4	1
Other expenses	10	9
Total other creditors	139	34

#### 11. Related Party Transactions

The Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the ACD'), registration fees payable to Link Fund Administrators Limited and typesetting costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 74. Amounts due at the year end are disclosed in notes 8 and 10.

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

Baronsmead Venture Trust PLC	18.77% (31.12.21: 22.02%)
Clearstream Banking	14.51% (31.12.21: 27.08%)
RBC	19.73% (31.12.21: 35.02%)

#### 12. Contingent Liabilities and Commitments

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 13. Shares in Issue

	'C' Sterling Income	'C' Sterling Accumulation	'F' Sterling Income
Annual Management Charge	0.90%	0.90%	0.40%
Opening shares in issue	58,998	11,191,088	2,175,729
Issues	9,672	8,454,661	5,772,053
Redemptions	(67,930)	(162,223)	(347,456)
Closing shares in issue	<u>740</u>	<u>19,483,526</u>	<u>7,600,326</u>

  

	'F' Sterling Accumulation	'C' Euro Accumulation
Annual Management Charge	0.40%	0.90%
Opening shares in issue	15,763,176	–
Issues	21,241,426	250
Redemptions	(3,256,165)	–
Closing shares in issue	<u>33,748,437</u>	<u>250</u>

#### 14. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

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

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### (A) CREDIT RISK

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

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

#### (B) INTEREST RATE RISK

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

As the Fund seeks to obtain its return from investing in equities and has no material exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

#### (C) FOREIGN CURRENCY RISK

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

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

#### (D) LEVERAGE

The Fund did not employ any significant leverage in the current year or prior year.

#### (E) LIQUIDITY RISK

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

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

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

Based on this analysis 33.41% of the portfolio can be liquidated within 5 days and 60.69% within 21 working days (31.12.21: 59.80% within 5 days and 82.77% within 21 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

#### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £2,978,000 (31.12.21: £1,678,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

# LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 15. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.12.22</b>				
Ordinary shares	48,694	84	128	48,906
Purchases total	48,694	84	128	48,906
<i>Transaction cost % of purchases total</i>		0.17%	0.26%	
<i>Transaction cost % of average NAV</i>		0.16%	0.25%	
Ordinary shares	14,497	(23)	–	14,474
Sales total	14,497	(23)	–	14,474
<i>Transaction cost % of sales total</i>		0.16%	–	
<i>Transaction cost % of average NAV</i>		0.05%	–	

Average portfolio dealing spread at 31.12.22 is 1.74% (31.12.21: 1.98%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.12.21</b>				
Ordinary shares	32,587	62	85	32,734
Purchases total	32,587	62	85	32,734
<i>Transaction cost % of purchases total</i>		0.19%	0.26%	
<i>Transaction cost % of average NAV</i>		0.57%	0.79%	
Ordinary shares	5,192	(8)	–	5,184
Sales total	5,192	(8)	–	5,184
<i>Transaction cost % of sales total</i>		0.16%	–	
<i>Transaction cost % of average NAV</i>		0.08%	–	

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 16. Fair Value Hierarchy

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

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

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

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

All investments held in the current year and prior period are ordinary shares categorised as Level 1.

#### 17. Subsequent Events

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

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

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 December 2022 – per share

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes. Where there is no distribution at interim, the final distribution is deemed to run for the whole year.

Group 2	Interim	Final
From	01.01.22	01.07.22
To	30.06.22	31.12.22

#### ‘C’ STERLING INCOME SHARES

There was no interim distribution for the ‘C’ Sterling Income share class in the current or prior year.

Final	Net Revenue	Equalisation	Payable 28.02.23	Paid 28.02.22
Group 1	2.2376	–	2.2376	1.1660
Group 2	2.2376	0.0000	2.2376	1.1660

#### ‘C’ STERLING ACCUMULATION SHARES

There was no interim distribution for the ‘C’ Sterling Accumulation share class in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 28.02.23	Allocated 28.02.22
Group 1	2.2725	–	2.2725	1.2031
Group 2	1.1385	1.1340	2.2725	1.2031

#### ‘F’ STERLING INCOME SHARES

There was no interim distribution for the ‘F’ Sterling Income share class in the current or prior year.

Final	Net Revenue	Equalisation	Payable 28.02.23	Paid 28.02.22
Group 1	1.8063	–	1.8063	1.3265
Group 2	1.6347	0.1716	1.8063	1.3265

## LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

#### 'F' STERLING ACCUMULATION SHARES

There was no interim distribution for the 'F' Sterling Accumulation share class in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 28.02.23	Allocated 28.02.22
Group 1	1.8289	–	1.8289	1.2965
Group 2	1.0941	0.7348	1.8289	1.2965

#### 'C' EURO ACCUMULATION SHARES<sup>1</sup>

There was no interim distribution for the 'C' Euro Accumulation share class in the current year.

Final	Net Revenue	Equalisation	Allocation 28.02.23
Group 1	1.7080	–	1.7080
Group 2	1.7080	0.0000	1.7080

<sup>1</sup> No comparative figures as the 'C' Euro Accumulation share class was launched on 21 February 2022.

## GENERAL INFORMATION

### Share Capital

The minimum share capital of the Company is £1 and the maximum share capital is £50,000,000,000.

### Structure of LF Gresham House Equity Funds

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new sub-fund or class, a revised Prospectus will be prepared setting out the relevant details of each sub-fund or class.

The Company is a UK UCITS for the purposes of the Regulations.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that sub-fund. Investment of the assets of each of the sub-funds must comply with the COLL Sourcebook and the investment objective and policy of the relevant sub-fund. The sub-funds currently available are:

LF Gresham House UK Multi Cap Income Fund  
LF Gresham House UK Smaller Companies Fund

In the future there may be other sub-funds of the Company.

### Classes of Shares

The Company may issue income and accumulation shares in respect of each sub-fund.

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

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

### Valuation Point

The current valuation point of each of the Company's sub-funds is 12.00 noon (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

### Buying and Selling Shares

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

## GENERAL INFORMATION *continued*

### Prices

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

### Other Information

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

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

### Data Protection Act

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



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