



Interim Report and Financial Statements for Margetts Providence Strategy Fund

For the six months ended 31 December 2020 (Unaudited)

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Directors of the Manager

T J Ricketts

M D Jealous

A S Weston

A Nugent (non-exec)

A J M Quay (non-exec)

J M Vessey (non-exec)

T H Ricketts - *resigned 01 August 2020*

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Fund Manager's Report

For the period ended 31 December 2020

Investment Objective

The objective of the Margetts Providence Strategy Fund is to provide a balance of long term (more than 5 years) capital growth and increasing income (measured by annual monetary distribution per unit).

Capital and the income distributed are at risk and there is no guarantee that the objective will be achieved.

Investment Review

Providence Strategy Fund	6.92%
Providence Strategy Fund R	7.40%

Benchmarks:

The Fund does not have a performance target and is not constrained by any index, IA sector or similar factor. The IA (Investment Association) Mixed Investment 20-60% Shares Sector is used as the comparator. This is considered appropriate for investors to use when comparing performance as the Fund is a member of this sector, which is made up of funds with a similar strategy as defined by the IA.

IA Mixed Investment 20-60% Share	8.17%
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Source: Analytics; Performance growth in the period is bid to bid with income reinvested.

The Margetts Providence Strategy fund performed strongly during this interim reporting period and rose in value by 7.40% ('R' share class) as markets continue to recover following sharp falls in March 2020 due to Covid-19 concerns. The fund performance has been slightly below the reference peer group, the IA Mixed Investment 20-60% Share sector, which rose by 8.17%.

This reporting period has witnessed two historic events: Brexit, and a newly elected US president. Such events would normally dominate market sentiment, but both have been overshadowed by the continued uncertainty due to the Covid-19 pandemic.

Global stock markets continued to recover from Covid-19 lows that occurred around the middle of March 2020. The profile of the recovery altered during this reporting period as optimistic results from stage three vaccine trials were released by Pfizer/BioNTech and Moderna in November 2020, followed by Oxford/AstraZeneca. This caused a rapid shift in favour of traditional stocks as some investors took profits from technology sector gains, believing a route out of the Covid crisis was emerging.

The Brexit referendum took place on June 2016 to ask the UK electorate whether the country should leave or remain a member of the European Union. This referendum had been a manifesto pledge made by the Conservative party under the leadership of David Cameron during the 2015 election campaign. The strategy was to retain and attract increasing numbers of voters who were becoming disillusioned with EU membership and was successful in securing a Conservative majority.

David Cameron had been Prime Minister, in coalition with the Liberal Democrats, during the Scottish independence referendum in 2014, which secured a 55% majority of voters backing Scotland to remain part of the UK. This result may have led to confidence that the UK would similarly vote to remain part of the EU and this belief was endorsed by early opinion polls. As campaigning progressed, it became clear the result would be much closer than originally anticipated. In the event, the leave vote won by 52% to 48% and the term 'Brexit' was adopted to describe the process by which the UK would exit from the European Union.

In the days, weeks and months following the Brexit vote, it became clear that little planning or preparation had been undertaken to affect the UK withdrawal from the EU in practice. A tumultuous political period followed with three prime ministers in office and two elections taking place between the referendum and this reporting period. During this lengthy period of uncertainty, we maintained the expectation that the UK exit from the EU would pinnacle with a trade deal and this outcome was ultimately achieved on 31st December 2020.

Fund Manager's Report (continued)

The agreed deal essentially provides free trade of physical goods and close alignment in areas such as environmental, social, labour and tax transparency standards. The area of financial services is not covered, which is important as the UK benefits from trade in this area whereas the EU sells more physical goods into the UK than are exported.

Sterling strengthened slightly on the announcement, and this lacklustre response demonstrates the lack of clarity regarding which side, if any, has come out with an advantage. The UK will benefit from improved future certainty but the benefits of being unshackled from EU membership will depend on the speed and quality of future trade deals together with how the EU relationship now develops. The UK stock market has notably underperformed its peers during the period of Brexit uncertainty, and we are optimistic that recent developments and attractive valuations will lead investors to increase UK allocations.

The 2020 United States presidential election took place on 3rd November 2020 with the result eventually being declared in favour of Joe Biden. The Presidency of Donald Trump has challenged political ideals throughout his tenure, and his refusal to accept the election outcome and possible impeachment for inciting insurrection reflects his confrontational style throughout his Presidency.

Donald Trump campaigned on an 'America First' agenda and took aggressive action to protect American interests, especially in relation to trade, embarking on a hostile trade war with China amongst other things. His policy announcements were often delivered by Twitter, and global markets became increasingly surprised by the erratic nature of policy developments, leading to increased volatility. Although US markets benefitted from Donald Trump's approach, the effect on global markets has been mixed.

Joe Biden was inaugurated on 20th January 2021 and the Democrats now control both houses of congress due to the Democrat wins in the Georgia elections which followed the Presidential election. A more traditional style of politics is now expected, with President Biden already re-joining the US to the Paris Climate Accord and World Health Organisation, which were recently exited by Donald Trump. The new Presidential style is expected to be re-assuring for global markets and therefore an overall positive development, although anticipated tax and regulation policies could reduce demand for some US equities.

Under normal circumstances, Brexit and the US elections would significantly impact stock market valuations and market sentiment. However, market movements during this reporting period have been dominated by the effect of the Covid-19 pandemic, and this is expected to continue for the foreseeable future due to the scale of the crisis.

The global economy can be compared to the analogy of a man with his head in the oven and feet in the freezer being, on average, at room temperature. The on-going economic restrictions have created a deep freeze for sectors such as airlines and hospitality whilst extraordinary stimulus has created hot spots for on-line consumption.

China, where Covid-19 is believed to have originated, has achieved a full 'V' shaped recovery by suppressing the virus successfully, whilst the UK, Europe and the US have endured a second or third wave of economic lockdowns. Economies which have suppressed Covid-19 have enjoyed a rapid economic recovery, suggesting that demand can return quickly in economies currently struggling with high infection rates, once the situation is under control.

Since the risk of Covid-19 was first identified, the global response has been impressive, particularly in relation to testing and developing vaccines. In the UK, daily testing capability in March 2020 was less than 10,000 per day and current capacity is around 750,000 per day. Vaccines have been developed, tested, approved and deployed, with data indicating they provide effective protection and dramatically reduce infections. To date, 10 vaccines have been approved (some with limited use) following stage 3 trials, with a further 13 vaccines in late stage trials or pending regulatory approval. Vaccines currently face production challenges, although we expect this will be addressed shortly and the summer will provide a vaccination window due to seasonally lower transmission rates.

Fund Manager's Report (continued)

The UK has demonstrated a strong relative advantage as the Oxford/AstraZeneca vaccine has been developed in the UK, production of several vaccines is taking place within the UK, and the UK deployed an early, aggressive vaccine procurement programme. The UK is currently leading Europe and the US in terms of vaccinations, and this could provide a material economic advantage if restrictions can be lifted ahead of other western economies. Combined with favourable valuations and the removal of Brexit uncertainty, the vaccination programme success could be a further catalyst for UK stocks to outperform.

Whilst acknowledging the risk of Covid-19 mutations' potential to thwart the vaccination strategy, we observe that medical technology advances appear to be developing exponentially. Manufacturing capability improvements, vaccine refinement and the potential for combination vaccines are likely to be successful in suppressing the outbreak during 2021.

If Covid-19 is suppressed, as expected, the effects on asset prices globally will not necessarily provide a universal 'lifting' tide. The Covid-19 benefits enjoyed by virtual economy stocks could erode whilst real economy stocks should benefit. Over time, the picture will become more interesting with prospects of a second era of the roaring 20s, as the trillions of stimulus dollars boost spending when people re-discover their freedoms.

The end to low interest rates and quantitative easing is likely to be caused by rising inflationary pressures. Since these tools were used aggressively following the credit crisis, inflationary pressures have remained subdued. The magnitude, speed and aggression of the stimulus response to Covid-19 is now likely to provoke this outcome, leading to yields rising slowly from the current historic low points. This will reduce the value of government bonds and stocks which correlate, such as technology stocks, whilst value stocks generally benefit from higher inflation expectations.

Recent surges in Bitcoin, silver and GameStop suggest areas of potential market froth and downside risk. The tug of war between hedge funds and online investor groups creates a good story but will have little impact on the outcome for long-term investors. Stock markets have demonstrated the ability to eventually determine the fair price for stocks even if short term movements become more volatile.

Outlook

We are optimistic that Covid-19 risks will diminish throughout 2021 as the vaccine response accelerates and is further boosted by warmer weather heading into spring and summer.

The evidence from economies that have successfully suppressed Covid-19 indicates a rapid economic rebound is likely to begin as restrictions are reduced.

This is expected to be positive for stock markets generally, with real economy stocks having more scope for recovery. Economies able to release restrictions sooner are expected to maintain an advantage into the next cycle, particularly the UK, which is leading vaccine roll outs and recovering from longstanding Brexit issues.

Strategy

At this stage, we believe the current strategy remains appropriate with overweight allocations to equities and short dated bond exposure which is less sensitive to rising yields.

Elevated market volatility is expected in the short-term requiring patience as speculation is creating unpredictable micro-trends.

Margetts Fund Management Ltd
Manager
11 February 2021

Certification of Accounts by Directors of the Manager

This report is signed in accordance with the requirements of the Collective Investment Schemes Sourcebook (COLL) as issued and amended by the Financial Conduct Authority.

T J Ricketts

M D Jealous

Margetts Fund Management Ltd

26 February 2021

Authorised Status

The fund is an authorised unit trust scheme established on 10 February 1995.

It is a Non UCITS Retail Fund (NURS) authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is Pounds Sterling.

As at 31 December 2020

Holding	Portfolio of Investments	Total Net Assets		
		Value (£)	31.12.20 %	30.06.20 %
	United Kingdom			
6,777,603	Aviva UK Equity Income SC 2	9,590,986	6.87	
4,714,875	Franklin UK Equity Income Fund W	9,608,445	6.88	
1,074,531	GAM UK Equity Income-ZSDA	10,198,160	7.30	
3,656,505	Man GLG UK Income Fund Professional C	9,931,068	7.11	
9,504,153	Royal London UK Equity Income Z	10,045,889	7.20	
7,966,628	Threadneedle UK Equity Income ZNI	10,090,531	7.23	
39,595	Vanguard FTSE UK Equity Income Index	9,383,459	6.72	
	Total United Kingdom	68,848,538	49.31	48.74
	Bonds			
5,714,393	BlackRock Corporate Bond X	8,297,298	5.94	
887,913	Fidelity Short Dated Corporate Bond Fund Y	9,847,840	7.05	
19,945,618	L&G Short Dated Sterling Corporate Bond C	12,029,202	8.62	
7,900,876	Royal London Short Duration Credit Z	8,548,747	6.12	
81,625	Vanguard UK Short-Term Investment Grade Bond Index	9,624,794	6.89	
	Total Bonds	48,347,881	34.62	34.31
	Asia Pacific (excl. Japan)			
10,055,350	L&G Asian Income Trust C	8,254,436	5.91	
1,524,390	Schroder Asian Income L	1,523,476	1.09	
	Total Asia Pacific (excl. Japan)	9,777,912	7.00	7.20
	Global			
5,018,100	Royal London Global Index Linked Z Inc	7,386,642	5.29	
	Total Global	7,386,642	5.29	5.41
	Portfolio of Investments	134,360,973	96.23	95.66
	Net Current Assets	5,260,111	3.77	4.34
	Net Assets	139,621,084	100.00	100.00

The investments have been valued in accordance with note 1(b) and are authorised Collective Investment Schemes.

Net Asset Value per Unit and Comparative Tables

Accumulation share class

Change in net assets per share	31/12/2020	30/06/2020	30/06/2019	30/06/2018
Opening net asset value per share	346.6600	373.0000	373.1500	365.3600
Return before operating charges *	24.1900	-26.0700	5.4700	13.5300
Operating charges	-0.1500	-0.2700	-5.6200	-5.7400
Return after operating charges	24.0400	-26.3400	-0.1500	7.7900
Closing NAV per share	370.7000	346.6600	373.0000	373.1500
Retained distribution on acc shares	4.5887	11.4960	12.6039	10.1468

* After direct transaction costs of 0.0006 0.0019 0.0006 0.0030

Performance

Return after charges 6.93% -7.06% -0.04% 2.13%

Other Information

Closing net asset value (£)	29,174,314	29,571,454	38,416,057	46,272,891
Closing number of shares	7,870,064	8,530,427	10,299,382	12,400,789
OCF	1.24%	2.01%	2.02%	2.03%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	393.06	412.77	394.37	396.98
Lowest share price (pence)	349.16	296.37	343.98	353.90

Income share class

Change in net assets per share	31/12/2020	30/06/2020	30/06/2019	30/06/2018
Opening net asset value per share	145.0100	161.0400	166.8100	167.9600
Return before operating charges *	10.0983	-10.9730	2.3064	6.1025
Operating charges	-0.0600	-0.1200	-2.4900	-2.6200
Return after operating charges	10.0383	-11.0930	-0.1836	3.4825
Distribution on income shares	-1.9083	-4.9370	-5.5864	-4.6325
Closing NAV per share	153.1400	145.0100	161.0400	166.8100

* After direct transaction costs of 0.0002 0.0008 0.0002 0.0014

Performance

Return after charges 6.92% -6.89% -0.11% 2.07%

Other Information

Closing net asset value (£)	3,619,673	3,981,387	5,438,262	6,613,226
Closing number of shares	2,363,694	2,745,724	3,377,079	3,962,572
OCF	1.24%	2.01%	2.02%	2.03%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	164.41	177.83	177.14	179.99
Lowest share price (pence)	146.04	126.09	152.23	160.43

Net Asset Value per Unit and Comparative Tables (continued)

R accumulation share class

Change in net assets per share	31/12/2020	30/06/2020	30/06/2019	30/06/2018
Opening net asset value per share	366.6200	392.0000	389.3600	378.2700
Return before operating charges *	27.3000	-25.0900	5.5500	14.0800
Operating charges	-0.1600	-0.2900	-2.9100	-2.9900
Return after operating charges	27.1400	-25.3800	2.6400	11.0900
Closing NAV per share	393.7600	366.6200	392.0000	389.3600
Retained distribution on acc shares	5.0555	11.5355	12.9373	10.5449

* After direct transaction costs of 0.0006 0.0020 0.0005 0.0032

Performance

Return after charges 7.40% -6.47% 0.68% 2.93%

Other Information

Closing net asset value (£)	70,099,522	74,909,749	104,269,645	105,854,431
Closing number of shares	17,802,702	20,432,637	26,599,732	27,186,907
OCF	2.02%	1.23%	1.24%	1.25%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	397.53	414.84	393.66	394.11
Lowest share price (pence)	352.52	312.87	360.26	368.52

R income share class

Change in net assets per share	31/12/2020	30/06/2020	30/06/2019	30/06/2018
Opening net asset value per share	153.9200	169.5800	174.2800	174.0600
Return before operating charges *	11.4627	-10.5824	2.3317	6.4102
Operating charges	-0.0700	-0.1200	-1.2900	-1.3700
Return after operating charges	11.3927	-10.7024	1.0417	5.0402
Distribution on income shares	-2.1227	-4.9576	-5.7417	-4.8202
Closing NAV per share	163.1900	153.9200	169.5800	174.2800

* After direct transaction costs of 0.0003 0.0009 0.0003 0.0015

Performance

Return after charges 7.40% -6.31% 0.60% 2.90%

Other Information

Closing net asset value (£)	8,362,126	10,290,867	17,009,693	19,152,730
Closing number of shares	5,124,388	6,686,226	10,031,013	10,984,348
OCF	2.02%	1.23%	1.24%	1.25%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	166.92	179.02	176.24	178.89
Lowest share price (pence)	148.03	133.38	159.68	167.26

Net Asset Value per Unit and Comparative Tables (continued)

S accumulation share class

Change in net assets per share	31/12/2020	30/06/2020	30/06/2019
Opening net asset value per share	367.6500	391.9900	389.3600
Return before operating charges *	28.0345	-24.0600	2.8500
Operating charges	-0.2900	-0.2800	-0.2200
Return after operating charges	27.7445	-24.3400	2.6300
Closing NAV per share	395.3945	367.6500	391.9900
Retained distribution on acc shares	5.4105	11.2686	12.9373
 * After direct transaction costs of	 0.0007	 0.0020	 -0.0010

Performance

Return after charges	7.55%	-6.21%	0.68%
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Other Information

Closing net asset value (£)	23,973,957	15,943,549	751,942
Closing number of shares	6,063,301	4,336,713	191,829
OCF	0.89%	0.89%	0.90%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	401.18	417.61	394.28
Lowest share price (pence)	355.63	313.52	383.01

S income share class

Change in net assets per share	31/12/2020	30/06/2020	30/06/2019
Opening net asset value per share	154.4700	169.5800	171.3529
Return before operating charges *	11.7276	-10.1462	1.2342
Operating charges	-0.0700	-0.1200	-0.0800
Return after operating charges	11.6576	-10.2662	1.1542
Distribution on income shares	-2.0761	-4.8438	-2.9271
Closing NAV per share	164.0515	154.4700	169.5800
 * After direct transaction costs of	 0.0003	 0.0009	 -0.0015

Performance

Return after charges	7.55%	-6.05%	0.67%
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Other Information

Closing net asset value (£)	4,391,492	3,910,966	594,775
Closing number of shares	2,676,899	2,531,908	350,739
OCF	0.89%	0.89%	0.90%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	168.59	180.19	173.46
Lowest share price (pence)	149.44	133.70	168.55

Net Asset Value per Unit and Comparative Tables (continued)

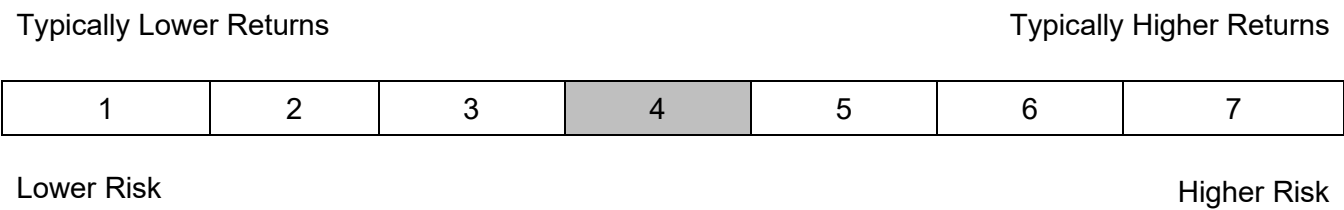
Risk Warning

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units 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 fluctuations in exchange rates, which can be favourable or unfavourable.

Fund Performance

The performance of the fund is shown in the Fund Manager's Report.

Synthetic Risk and Reward Indicator



The risk and reward score is based on past performance and calculated in accordance with European legislation. It may not be a reliable indication of the future risk profile.

Financial statements

Statement of total return

For the period ended 31 December 2020

	Notes	31.12.20	31.12.19
Income		£	£
Net capital gains	4	8,370,200	5,508,463
Revenue	6	1,991,666	2,544,395
Expenses	7	(653,049)	(805,822)
Finance costs: Interest	9	-	1,068
Net revenue before taxation		1,338,617	1,739,641
Net revenue after taxation		1,338,617	1,739,641
Total return before distributions		9,708,817	7,248,104
Finance costs: Distributions	9	(1,909,880)	(2,460,066)
Change in net assets attributable to unitholders from investment activities		7,798,937	4,788,038

Statement of change in net assets attributable to unitholders

For the period ended 31 December 2020

	£	£	£	£
Opening net assets attributable to unitholders		138,607,972		166,480,374
Amounts receivable on issue of units	11,599,554		14,689,137	
Amounts payable on cancellation of units	(19,946,116)		(24,500,238)	
		(8,346,562)		(9,811,101)
Change in net assets attributable to unitholders from investment activities		7,798,937		4,788,038
Retained distribution on accumulation units		1,560,737		2,065,322
Closing net assets attributable to unitholders		139,621,084		163,522,633

Balance sheet

As at 31 December 2020

	Notes		31.12.20		30.06.20
		£	£	£	£
Assets					
Investment assets			134,360,973		132,588,683
Debtors	10	2,890,287		395,397	
Cash and bank balances		<u>24,310,910</u>		<u>23,831,862</u>	
Total other assets			27,201,197		24,227,259
Total assets			161,562,170		156,815,942
Liabilities					
Creditors	11	1,785,409		562,716	
Distribution payable on income units		209,457		285,439	
Bank overdrafts		<u>19,946,220</u>		<u>17,359,815</u>	
Total other liabilities			21,941,086		18,207,970
Net assets attributable to unitholders			139,621,084		138,607,972

Notes to the financial statements

As at 31 December 2020

1 Accounting policies

a) Basis of accounting

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

b) Basis of valuation of investments

The investments are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the accounting period.

c) Foreign exchange rates

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 closing middle exchange rates ruling on that date.

d) Revenue

All income allocations and distributions declared by the managers of the underlying funds up to the accounting date are included in Income, net of attributable tax credits. The net allocations which are retained in Income are included in the fund's own income allocation. Bank and other interest receivable is accrued up to the accounting date. Equalisation on distributions received is deducted from the cost of the investment and not included in the fund's income available for distribution.

e) Expenses

The Manager's periodic charge is deducted from Capital. All of the other expenses are charged against Income except for costs associated with the purchase and sale of investments which are charged against Capital.

f) Taxation

- (i) The fund is treated as a corporate unitholder with respect to its underlying holdings and its income is subject to streaming into franked and unfranked.
- (ii) Corporation tax is provided at 20% on income, other than the franked portion of distributions from collective investment schemes, after deduction of expenses.
- (iii) The charge for deferred tax is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, 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.

2 Distribution policy

Income arising from investments accumulates during each accounting period. Surplus income is allocated to unitholders in accordance with the COLL regulations. In order to conduct a controlled dividend flow to unitholders, interim distributions will be made at the Manager's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed in accordance with the COLL regulations.

3 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 foreign exchange contracts, may be utilised for efficient portfolio management purposes.

Political and economic events in the major economies of the world, such as the United States, Japan and the European Union, will influence stock and securities markets worldwide.

The main risks from the fund's holding of financial instruments with the Manager's policy for managing these risks are set out below:

- i. **Credit Risk** – The fund may find that collective investment schemes in which it invests fail to settle their debts or deliver the investments purchased on a timely basis.
- ii. **Interest Rate Risk** – Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager.
- iii. **Foreign Currency Risk** – Although the net assets of the fund are denominated in sterling, a proportion of the fund's investments in collective investment schemes have currency exposure with the effect that the balance sheet and total return can be affected by currency movements.
- iv. **Liquidity Risk** – The main liability of the fund is the cancellation of any units that investors want to sell. Securities may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

Smaller companies by their nature, tend to have relatively modest traded share capital, and the market in such shares can, at times, prove illiquid. Shifts in investor sentiment, or the announcement of new price-sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The dearth of accurate and meaningful information and insufficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with the low dealing volumes, can restrict the Manager's ability to execute substantial deals.

- v. **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 rates or foreign currency movement. The 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. This risk is generally regarded as consisting of two elements – Stock Specific Risk and Market Risk. The fund's exposure to Stock Specific Risk is reduced for equities and bonds through the holding of a diversified portfolio in accordance with the investment and borrowing powers set out in the Trust Deed.

- vi. **Counterparty Risk** – Transactions in securities entered into by the fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction.
- vii. **Fair Value of Financial Assets and Financial Liabilities** – There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

4 Net capital gains

	31.12.20	31.12.19
	£	£
Proceeds from sales on investments during the period	20,756,280	29,885,578
Original cost of investments sold during the period	(20,638,448)	(28,995,404)
Gains realised on investments sold during the period	117,832	890,174
Net (appreciation)/depreciation thereon already recognised in prior periods	464,841	(803,064)
Net realised appreciation for the period	582,673	87,110
Trustee transaction charge	(242)	(294)
Net unrealised appreciation for the period	7,787,769	5,421,647
Net gains on non-derivative securities	8,370,200	5,508,463
Net capital gains	8,370,200	5,508,463

5 Purchases, sales and transaction charges

Purchases excluding transaction costs	12,562,994	14,665,000
Trustee transaction charges: 0.00% [0.00%]	90	85
Purchases including transaction costs	12,563,084	14,665,085
Sales excluding transaction costs	20,756,280	29,885,578
Trustee transaction charges: 0.00% [0.00%]	(152)	(209)
Sales net of transaction costs	20,756,128	29,885,369

*Trustee transaction charges have been deducted in determining net capital
Transaction charges are displayed as a percentage of purchase/sale*

Total trustee transaction charges: 0.00% [0.00%]	242	294
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Total charges displayed as a percentage of average net asset value

Average portfolio dealing spread: 0.03% [0.12%]

6 Revenue

UK franked dividends	1,568,940	1,984,351
UK unfranked dividends	-	71,672
Bond interest	336,487	382,429
Overseas gross bond interest	62,484	89,050
Rebate of annual management charges	23,516	14,650
Bank interest	239	2,243
Total revenue	1,991,666	2,544,395

7 Expenses

Payable to the Manager, associates of the Manager and agents of either:

Manager's periodic charge	571,273	720,421
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Payable to the Trustee associates of the Trustee and agents of either:

Trustee's fee	26,004	28,071
Safe custody	3,812	7,899
	29,816	35,970

Other expenses:

FCA fee	72	72
Audit fee	10,445	4,074
Registration fees	20,622	21,094
BlackRock Invoice	20,821	24,191
Total expenses	653,049	805,822

8 Taxation

	31.12.20 £	31.12.19 £
a) Analysis of the tax charge for the period:		
UK Corporation tax	-	-
Irrecoverable income tax	-	-
Current tax charge (note 8b)	-	-
Total tax charge	-	-
b) Factors affecting the tax charge for the period:		
Net revenue before taxation	1,338,617	1,739,641
Corporation tax at 20%	267,724	347,929
<i>Effects of:</i>		
UK dividends	(313,788)	(396,870)
Movement in revenue accruals	-	(14,334)
Utilisation of excess management expenses	46,064	63,275
Corporation tax charge	-	-
Irrecoverable income tax	-	-
Current tax charge for the period (note 8a)	-	-

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current or prior accounting period.

d) Factors that may affect future tax changes

The fund has unutilised management expenses of £5,742,740 (prior year £5,512,420). The fund does not expect to be able to utilise this in the foreseeable future.

9 Finance costs

	31.12.20 £	31.12.19 £
Distributions		
Interim	1,770,194	2,381,318
	1,770,194	2,381,318
Amounts deducted on cancellation of units	155,922	167,170
Amounts received on issue of units	(16,236)	(88,422)
Finance costs: Distribution	1,909,880	2,460,066
Finance costs: Interest	-	(1,068)
Total finance costs	1,909,880	2,458,998
Represented by:		
Net revenue after taxation	1,338,617	1,739,641
<i>Expenses charged to capital</i>		
Manager's periodic charge	571,273	720,421
Balance of revenue brought forward	19	22
Balance of revenue carried forward	(29)	(18)
Finance costs: Distribution	1,909,880	2,460,066

10 Debtors

	31.12.20	30.06.20
	£	£
Amounts receivable for issue of units	12,372	339,205
Amounts receivable for investment securities sold	2,800,000	-
<i>Accrued revenue:</i>		
UK franked dividends	77,896	56,192
	77,896	56,192
Prepayments	19	-
Total debtors	2,890,287	395,397

11 Creditors

	31.12.20	30.06.20
	£	£
Amounts payable for cancellation of units	153,341	419,851
Amounts payable for investment securities purchased	1,500,000	-
<i>Accrued expenses:</i>		
<i>Amounts payable to the Manager, associates and agents:</i>		
Manager's periodic charge	87,823	90,304
<i>Amounts payable to the Trustee, associates and agents:</i>		
Trustee's fees	4,369	4,229
Transaction charges	72	550
Safe custody fee	1,818	1,124
	6,259	5,903
Other creditors	37,986	464,658
Total creditors	1,785,409	980,716

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

13 Related party transactions

Margetts Fund Management Ltd as manager, is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issues, and paid on cancellations are disclosed in the statement of change in net assets attributable to shareholders and note 9.

Amounts paid to Margetts Fund Management Ltd in respect of management services are disclosed in note 7 and amounts due at the end of the period in note 11.

14 Unitholders' funds

	Acc	Inc	R Acc	R Inc	S Acc	S Inc
Opening number of units	8,530,427	2,745,724	20,432,637	6,686,226	4,336,713	2,531,908
Units issued	4,207	525	459,048	51,158	3,025,575	308,208
Units converted	-	-	-	-	-	-
Units redeemed	(664,570)	(382,555)	(3,088,983)	(1,612,996)	(1,298,987)	(163,217)
Closing number of units	7,870,064	2,363,694	17,802,702	5,124,388	6,063,301	2,676,899

15 Risk disclosures

Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager. The table below shows the Interest Rate Risk profile at the balance sheet date:

i. Interest risk	31.12.20	30.06.20
	£	£
Floating rate assets (pounds sterling):	24,310,910	23,831,862
Floating rate liabilities (pounds sterling):	(19,946,220)	(17,359,815)
Assets on which interest is not paid (pounds sterling):	137,251,260	132,984,080
Liabilities on which interest is not paid (pounds sterling):	(1,994,866)	(848,155)
Net Assets	139,621,084	138,607,972

The floating rate financial assets and liabilities comprise bank balances, which earn or pay interest at rates linked to the UK base rate.

The fund has no interest bearing securities with maturity dates, other than collective investment schemes, which do not have maturity dates.

16 Post balance sheet events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

17 Fair Value Techniques

Assets	31.12.20	30.06.20
	£	£
Quoted prices for identical instruments in active markets	134,360,973	132,588,683
Prices of recent transactions for identical instruments	-	-
Valuation techniques using observable data	-	-
Valuation techniques using non-observable data	-	-
	134,360,973	132,588,683

18 Periodic Disclosure

As required by FUND 3.2.5R the ACD is required to disclose certain information periodically in relation to the Fund which is shown below.

At the end of the reporting period the percentage of the Fund's assets subject to special arrangements arising from their illiquid nature was 0% of the NAV.

There have been no new arrangements introduced for managing the liquidity of the Fund.

The risk characteristics of the Fund are explained in the Prospectus.

In order to assess the sensitivity of the Fund's portfolio to the risks to which the Fund is or could be exposed, Margetts Fund Management Ltd monitors relative value at risk, commitment, gross leverage and the results of stress tests.

The ACD has set limits considered appropriate to the risk profile of the fund. Any breaches of these limits are investigated by the Margetts risk committee and appropriate action taken if necessary.

During the reporting period there have been no changes to the maximum level of leverage that the Fund can employ or any right of reuse of collateral or any guarantee granted under leveraging arrangements.

At the end of the reporting period the total amount of leverage, expressed as a ratio, calculated using the commitment approach was 0.96:1 and using the gross method was 0.96:1.

Leverage is limited to overdraft use and the gross exposure from EPM techniques. Although the ACD may use derivatives for EPM, no collateral arrangements are currently in place and no asset re-use arrangements are in place.

The maximum leverage expressed as the ratio of the exposure to net asset value using the commitment method is 1.1:1.0 and using the gross method 3.3:1.0. Please note that the maximum leverage under the gross method is theoretical and would only occur if market risk and currency risk were hedged across the entire Sub-fund whilst it was using the maximum borrowing facility of 10%. It is not anticipated that both market risk and currency risk would be simultaneously hedged and therefore the likely maximum leverage which would be used in normal circumstances using the commitment method is 1.1:1.0 and using the gross method 2.2:1.0.

The fund does not engage in securities financing transactions or loan securities or commodities to third parties.

There have been no arrangements made by the Depositary to discharge itself of contractual liability.

19 Remuneration

In accordance with the requirements of FUND 3.3.5(5) the total amount of remuneration paid by the ACD to its staff for the financial year ended 30 September 2020 is:

	£
Fixed Remuneration	2,833,780
Variable Remuneration	803,035
Total Remuneration	<u><u>3,636,815</u></u>
Full Time Equivalent number of staff	51
Analysis of senior management	
Senior management	1,710,897
Staff whose actions may have a material impact on the funds	-
Other	-
	<u><u>1,710,897</u></u>

The remuneration for senior management has been calculated in accordance with the Remuneration Policy and is reviewed annually. The remuneration policy and, where required by the FCA, how benefits are calculated together with details of the remuneration committee can be found on the website: www.margetts.com. A paper copy of this is available free of charge upon request by writing to the compliance officer at 1 Sovereign Court, Graham Street, Birmingham B1 3JR. No material changes were made to the Policy or irregularities reported at the last review.

20 Securities Financing Transactions (SFT) and Total Return Swaps (TRS)

As at the Balance Sheet date, the amount of securities and commodities on loan as a proportion of total lendable assets is 0.00%

Distribution table

For the period ended 31 December 2020 – in pence per unit

Interim

Group 1 – units purchased prior to 01 July 2020

Group 2 – units purchased on or after 01 July 2020

Accumulation Units

Units	Net Income	Equalisation	Payable 28.02.21	Paid 28.02.20
Group 1	4.5887	-	4.5887	5.6789
Group 2	3.3029	1.2858	4.5887	5.6789

Income Units

Units	Net Income	Equalisation	Allocating 28.02.21	Allocated 28.02.20
Group 1	1.9083	-	1.9083	2.4520
Group 2	0.7819	1.1264	1.9083	2.4520

R Accumulation Units

Units	Net Income	Equalisation	Payable 28.02.21	Paid 28.02.20
Group 1	5.0555	-	5.0555	5.9701
Group 2	3.9909	1.0646	5.0555	5.9701

R Income Units

Units	Net Income	Equalisation	Allocating 28.02.21	Allocated 28.02.20
Group 1	2.1227	-	2.1227	2.5827
Group 2	1.4534	0.6693	2.1227	2.5827

S Accumulation Units

Units	Net Income	Equalisation	Allocating 28.02.21	Allocated 28.02.20
Group 1	4.9410	-	4.9410	5.8581
Group 2	4.5617	0.3793	4.9410	5.8581

S Income Units

Units	Net Income	Equalisation	Payable 28.02.21	Paid 28.02.20
Group 1	2.0761	-	2.0761	2.5366
Group 2	1.9630	0.1131	2.0761	2.5366

Equalisation only applies to units purchased during the distribution period (group 2 units). It represents the accrued income included in the purchase price of the units. 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 units for capital gains tax purposes.

General information

Valuation Point

The Valuation Point of the fund is 8.30am on each business day. Valuations may be made at other times with the Trustee's approval.

Buying and Selling of Units

The Manager will accept orders to buy or sell units on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell units may be made either in writing to: Margetts Fund Management Ltd, PO Box 17067, Birmingham, B2 2HL or by telephone on 0345 607 6808. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Prices

The most recent bid prices of units are published on the Margetts website at www.margetts.com. The associated cancellation price is available on request from the Manager.

Other Information

The Trust Deed, Supplementary Information Document, Key Investor Information Document and the latest annual and interim reports may be inspected at the offices of the Manager, with a copy available, free of charge, on written request.

The register of unitholders can be inspected by unitholders during normal business hours at the offices of the Administrator.

Unitholders who have any complaints about the operation of the fund should contact the Manager or the Trustee 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 or email to: complaint.info@financial-ombudsman.org.uk or by telephone to 0800 023 4567.