



## **HERIOT INVESTMENT FUNDS**

ANNUAL REPORT &  
AUDITED FINANCIAL STATEMENTS

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For the year ended 31 May 2022



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*Note: The Authorised Corporate Director's Report consists of 'Authorised Status' and 'Structure of the Company' on page 2, 'Authorised Status' and 'Investment Objective and Policy' on pages 11 and 41, 'Investment Review' as provided by the Investment Manager, on pages 13 to 14 and 23 to 24 and 'Directory' on page 70.*



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## THE AUTHORISED CORPORATE DIRECTOR AND INVESTMENT MANAGER

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The Authorised Corporate Director (the 'ACD') of Heriot Investment Funds (the 'Company') is T. Bailey Fund Services Limited ('TBFS'). Dundas Partners LLP is the Investment Manager (the 'Investment Manager') of the Company.

Dundas Partners LLP and T. Bailey Fund Services Limited are authorised and regulated by the Financial Conduct Authority. Further information about Dundas Partners LLP can be found at [www.dundasglobal.com](http://www.dundasglobal.com).

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## YOUR INVESTMENTS

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You can buy or sell shares in the Company through your Financial Advisor. Alternatively, you can telephone the dealing line, 0115 988 8272, during normal office hours. Application forms can be requested in writing from the ACD or by calling the Client Services Team on the dealing line. They can also be downloaded from [www.tbaileyfs.co.uk/funds/heriot-investment-funds](http://www.tbaileyfs.co.uk/funds/heriot-investment-funds).

The Company is eligible for ISA investments/transfers and the shares are available as part of a regular savers scheme.

The most recent price of shares in issue can be found at [www.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk), or by phone using the contact details set out in the prospectus.

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## OTHER INFORMATION

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Full details of Heriot Investment Funds are set out in the Prospectus which provides extensive information about the Fund including risks and expenses. A copy of the Prospectus is available on request from the ACD or can be downloaded from [www.tbaileyfs.co.uk/funds/heriot-investment-funds](http://www.tbaileyfs.co.uk/funds/heriot-investment-funds).

The Key Investor Information documents, Supplementary Information document and Value Assessment are also available from [www.tbaileyfs.co.uk/funds/heriot-investment-funds](http://www.tbaileyfs.co.uk/funds/heriot-investment-funds).

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## **AUTHORISED STATUS**

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Heriot Investment Funds is an investment company with variable capital incorporated in Great Britain, and having its head office in England, under registered number IC000967 and authorised and regulated by the Financial Conduct Authority ('FCA') with effect from 26 February 2013.

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## **STRUCTURE OF THE COMPANY**

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The Company is a UK UCITS.

The Company is structured as an umbrella so that the Scheme Property of the Company may be divided among one or more sub-funds. The assets of each sub-fund will generally 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. New sub-funds may be established from time to time by the ACD with the approval of the FCA and the agreement of the Depositary. If a new sub-fund is introduced, a new Prospectus will be prepared to set out the required information in relation to that sub-fund.

The Company is compliant with the Protected Cell Regime for OEICs. Under the Protected Cell Regime, each sub-fund represents a segregated portfolio of assets and accordingly, the assets of a sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claimed against, any other person or body, including any other sub-fund and shall not be available for any such purpose.

At the balance sheet date, there were two sub-funds in existence; Heriot Global Fund and Heriot Global Smaller Companies Fund\*.

\*Heriot Global Smaller Companies Fund launched 27 September 2021.

The base currency of the Company is Pound 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.

The ACD is the sole director of the Company.

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## **CROSS HOLDINGS BETWEEN SUB-FUNDS**

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As at the year-end there were no cross holdings between the two sub-funds.

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## REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR

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### Introduction and Scope

TBFS has policies and practices for those staff whose professional activities have a material impact on the risk profile of the combined activities. TBFS is a UCITS firm and is therefore subject to the UCITS Remuneration Code.

The Remuneration Policy of the Authorised Corporate Director:

- Is consistent with and promotes sound and effective risk management;
- Does not encourage risk taking that exceeds the level of tolerated risk of the firm;
- Encourages behaviour that delivers results which are aligned to the interests of TBFS's clients and the UCITS funds it manages;
- Aligns the interests of Code Staff with the long-term interests of TBFS's clients and the UCITS funds it manages;
- Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay; and
- Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works.

In accordance with BIPRU 11.5.18R the following disclosures are made:

### Decision making process for determining remuneration policy, link between pay and performance

There is no remuneration committee. Remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus and commission arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the CEO of TBFS and the Board of T. Bailey Holdings Limited ('TBH').

The main shareholders are represented on the Board of TBH which ratifies the annual operating plans. The annual operating plan includes the level of remuneration for all staff including Code Staff.

To assist with the above process, a benchmarking exercise was conducted in 2019 which incorporated information from external consultants in connection with remuneration.

### Policy on link between pay and performance

The staff bonus scheme is operated so as to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition but within the context of an annual operating plan. The Board bears in mind the projected performance of the company when making any adjustments to the scheme. This is agreed within the setting of the annual operating plan and reviewed once full year results are available.

The final bonus total is signed off by the TBFS board. The bonus payments are non-contractual and can be amended or withdrawn at any time.

Payment of scheme bonus to individuals is linked to their performance against agreed objectives from staff appraisals. All bonuses are monetary and paid through the payroll.

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**REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR (CONTINUED)**

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Staff are eligible to be a part of the scheme once they have completed a full years' service prior to the start of the relevant appraisal year. The same process applies to all grades of staff including executive directors.

There are no commission-based payments made to staff.

No other pay reward schemes exist within the business.

**Total remuneration paid by the ACD for the year ended 30 September 2021**

<b>Total Number of Staff</b>	<b>51</b>
	<b>£'000</b>
Fixed	1,797
Variable	111
<b>Total Remuneration Paid</b>	<b>1,908</b>

**Total remuneration paid by the ACD to Remuneration Code Staff for the year ended 30 September 2021**

	<b>Senior Management</b>	<b>Staff with Material Impact</b>
<b>Total Number of Staff</b>	<b>10</b>	<b>-</b>
	<b>£'000</b>	<b>£'000</b>
Fixed	800	-
Variable	9	-
<b>Total Remuneration Paid</b>	<b>809</b>	<b>-</b>

Please note that there were no remuneration payments made directly from Heriot Investment Funds or its sub-funds.



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## STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

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The Authorised Corporate Director ('the ACD') of Heriot Investment Funds ('the Company') is responsible for preparing the Annual Report and the Financial Statements in accordance with the Open-Ended Investment Companies Regulations 2001 ('the OEIC Regulations'), the Financial Conduct Authority's Collective Investment Schemes' Sourcebook ('COLL') and the Company's Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each annual accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ('United Kingdom Accounting Standards and applicable law'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: 'Financial Statements of UK Authorised Funds' issued by the Investment Association ('IA SORP') in May 2014 and amended in June 2017; and
- give a true and fair view of the financial position of the Company as at the end of that period and the net revenue and expense and the net capital gains or losses on the property of the Company for that period.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACD is also responsible for the system of internal controls, for management of the Company in accordance with the COLL and the Prospectus and for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## DIRECTORS' STATEMENT

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In accordance with COLL 4.5.8BR, the Annual Report and the Audited Financial Statements were approved by the board of directors of the ACD of the Company and authorised for issue on 18 August 2022.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and its sub-fund consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence for at least the next twelve months from the approval of the financial statements.

**Gavin Padbury**  
Chief Operations Officer  
T. Bailey Fund Services Limited  
Nottingham, United Kingdom  
18 August 2022

**Rachel Elliott**  
Chief Financial Officer  
T. Bailey Fund Services Limited  
Nottingham, United Kingdom  
18 August 2022

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## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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

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

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

The Depositary must ensure that:

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

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## DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS

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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 income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

**NatWest Trustee and Depositary Services Limited**  
**London, United Kingdom**  
**18 August 2022**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Heriot Investment Funds (the 'Company'):

- give a true and fair view of the financial position of the Company as at 31 May 2022 and of the net revenue and expense and the net capital gains and losses on the property of the Company for the year ended 31 May 2022; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

We have audited the financial statements which comprise for each sub-fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the related individual notes 1 to 15; and
- the distribution tables

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

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

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS (CONTINUED)**

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### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Responsibilities of depositary and ACD**

As explained more fully in the statement of depositary's responsibilities and the statement of the ACD's responsibilities, the depositary is responsible for safeguarding the assets of the company and the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included, but were not limited to, compliance with the Collective Investment Schemes sourcebook of the Financial Conduct Authority ("COLL"), the relevant instruments of incorporation, the statement of Recommended Practice: "Financial Statements of Authorised Funds" issued by the Investment Management Association in May 2014 ("the SORP") and United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS (CONTINUED)**

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We are not responsible for preventing irregularities. Our approach to detect irregularity included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the company to assess compliance with provisions of relevant laws and regulations. This included ensuring compliance with the Collective Investment Schemes Sourcebook.
- obtaining an understanding of the company's policies and procedures and how the company has complied with these, through discussions and sample testing of controls.
- obtaining an understanding of the company's risk assessment process, including the risk of fraud, designing our audit procedures to respond to our risk assessment. This included performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- enquiring of management concerning actual and potential litigation and claims and understanding whether there have been instances of non-compliance with laws and regulations; and
- reviewing minutes of those charged with governance and reviewing correspondence with the FCA.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

### **Report on other legal and regulatory requirements**

#### **Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion:

- proper accounting records for the Company have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 31 May 2022 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS  
(CONTINUED)**

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**Use of our report**

This report is made solely to the company's shareholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. 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.

**Cooper Parry Group Limited  
Chartered Accountants  
Statutory Auditor  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA  
18 August 2022**

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## **HERIOT GLOBAL FUND, AUTHORISED STATUS**

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The Fund is a sub-fund of Heriot Investment Funds with investment powers equivalent to those of a UK UCITS as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

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## **INVESTMENT OBJECTIVE AND POLICY**

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The aim of Heriot Global Fund (the 'Fund') is to provide capital appreciation over the long term (5 years or more) by investing in dividend growth companies.

The Fund invests in listed global equities. The Fund aims to invest in a portfolio of approximately 60-100 companies which have high levels of profitability and cash generation, consistent re-investment, low levels of debt and prudent governance in order to deliver the investment objective. The Investment Manager will perform research to identify shares in companies that provide this. To the extent that the Fund is not fully invested in the asset class listed above, investments may be made in money market instruments, deposits, cash and near cash. Such investments are not intended to be more than 10% in aggregate of the value of the Fund.

The Fund will not use derivatives.

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## **FUND BENCHMARKS**

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Shareholders may wish to compare the performance of the Fund against the MSCI All Country World Index. The MSCI All Country World Index contains over 2,500 global listed equities and is considered that overall this is the most representative benchmark for comparison. Please note the Fund is not constrained by or managed to the MSCI All Country World Index. In particular, the MSCI All Country World Index is not used to dictate the weighting of assets held and the Fund may also invest in equities that are not contained in the MSCI All Country World Index.

The MSCI All Country World Index is a Comparator Benchmark of the Fund.

Shareholders may also wish to compare the Fund's performance against other funds within the Investment Association's (IA) Global Sector as that will give investors an indication of how the Fund is performing compared with others investing in a similar but not identical investment universe. As the IA Global Sector aligns with the Fund's asset allocation, it is considered that this is an appropriate comparator.

The IA Global Sector is a Comparator Benchmark of the Fund.

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## **HERIOT GLOBAL FUND, RISK PROFILE**

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The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

The Fund invests predominantly in global shares, with some regions being regarded as more risky. The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as the safe keeping of assets may become insolvent, which may cause losses to the Fund.

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## **SYNTHETIC RISK AND REWARD INDICATOR**

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The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of one to seven. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category five because it will invest primarily in global company shares, which have experienced high rises and falls in value in the past five years.

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## **ONGOING CHARGES FIGURE**

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The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The OCF consists principally of the annual management charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performances tables on pages 20 to 23.



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## HERIOT GLOBAL FUND, INVESTMENT REVIEW

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### Performance

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Cumulative returns for the periods ended 31 May 2022 (%)				
	1 year	3 years	5 years	From launch <sup>1</sup>
A Accumulation Shares	2.31	42.74	68.65	159.31
B Accumulation Shares	2.56	43.79	70.73	165.73
IA Global Sector*	(0.04)	34.11	49.34	133.37
MSCI All Country World Index*	5.14	39.42	57.63	159.92

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Compound annual returns for the period ended 31 May 2022 (%)	
	Per annum from launch <sup>1</sup>
A Accumulation Shares	10.91
B Accumulation Shares	11.21
IA Global Sector*	9.65
MSCI All Country World Index*	10.94

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\* *Comparator Benchmarks*

<sup>1</sup> 20 March 2013.

Source: Financial Express. Total return, bid to bid. Sterling terms.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

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## HERIOT GLOBAL FUND, INVESTMENT REVIEW (CONTINUED)

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Dear fellow investor

This report covers the Heriot Global Fund's progress over the twelve months ended 31 May 2022.

The best way to follow the Fund's development is via its monthly factsheets, available at [dundasglobevents.co.uk](http://dundasglobevents.co.uk) along with videos and other material discussing our investment strategy. Suggestions on topics you would like us to cover are very welcome.

Monthly factsheet commentary allows this annual report to take a longer view. Heriot Global invests in companies capable of sustained long-term business and cash flow growth, enabling them to distribute increasing dividends to their shareholders. So long as dividend growth flows from business expansion and isn't merely ever-higher payouts of static profits we have found it to be a reliable pointer to a company's long-term return prospects. By and large where dividends lead, share prices follow.

In the first half of 2022 we exited a global pandemic and its economic impacts only to have a permanent member of the UN Security Council invade one of its closest neighbours, on the lunatic pretext that history gave it the right to do so. Russia and Ukraine are important suppliers of oil, gas, and food to Europe and the wider world. The oil price has soared, contributing to increasing inflation. Bond yields are now following suit.

We are asked often about the impact of 'macro' events on the Fund and our investment decision making. Almost always, equity valuations bear the immediate brunt. Fear can move markets which is why valuation is the most volatile component of returns. Who wouldn't be frightened when a nuclear armed state makes an unprovoked attack?

The Ukraine invasion is an extreme event which at the time of writing is far from over. But there are always 'events'. Our job is to find companies that will grow profitably and sustainably far into the future. Invasions and pandemics are not distractions, they are real and unpleasant things but they do not and should not dictate investment strategy.

Partly due to recovery from the pandemic but mostly underlying business growth, dividend announcements from many of the Fund's investments in 2022 to date have been heading in the opposite direction to wilting equity markets. Three examples.

Accenture, the world's biggest systems consulting and implementation group, increased revenues 24% in the March 2022 quarter with a 25% increase in earnings per share. It benefitted from increased demand across all the industries it serves as business and governments shift to digital services and operations. Accenture's dividend was increased by 10%.

L'Oréal, the world's biggest cosmetics group, announced a 20% dividend increase versus its 2021 payment. First quarter 2022 sales increased 14% at constant exchange rates versus 2021, evenly spread across all geographies and business units.

In April Costco increased its annual dividend by 14%. Costco's world-wide sales in May increased by 16% and by 12% after deducting the impact of higher petrol prices. The queue for petrol and diesel at the Edinburgh store suggests lots of new members have discovered Costco's attractions.

Please feel free to get in touch, Alan Ferguson [aferguson@dundasglobal.com](mailto:aferguson@dundasglobal.com) who looks after our UK clients or me at [alan@dundasglobal.com](mailto:alan@dundasglobal.com).

Best regards,

**Alan McFarlane**  
**Senior Partner**  
**Dundas Partners LLP**  
**Edinburgh, United Kingdom**  
**18 August 2022**

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**HERIOT GLOBAL FUND, PORTFOLIO STATEMENT**As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Canada</b>		
<b>(1.1%; 31.05.21 - 1.0%)</b>		
79,537 OpenText	2,561,268	1.1
	<b>2,561,268</b>	<b>1.1</b>
<b>Denmark</b>		
<b>(3.8%; 31.05.21 - 3.8%)</b>		
17,978 Coloplast	1,704,538	0.7
49,419 Novo Nordisk	4,347,141	1.9
57,065 Novozymes	2,850,706	1.2
	<b>8,902,385</b>	<b>3.8</b>
<b>France</b>		
<b>(7.9%; 31.05.21 - 8.5%)</b>		
24,589 Air Liquide	3,404,985	1.5
49,845 Biomerieux	4,149,369	1.8
79,989 Dassault Systèmes	2,665,393	1.1
23,650 Essilor Luxottica	3,018,100	1.3
8,217 L'Oréal	2,296,050	1.0
5,688 LVMH Moët Hennessy	2,888,505	1.2
	<b>18,422,402</b>	<b>7.9</b>
<b>Germany</b>		
<b>(0.6%; 31.05.21 - 1.3%)</b>		
15,444 Symrise	1,350,266	0.6
	<b>1,350,266</b>	<b>0.6</b>
<b>Hong Kong</b>		
<b>(0.9%; 31.05.21 - 1.3%)</b>		
261,935 AIA Group	2,138,596	0.9
	<b>2,138,596</b>	<b>0.9</b>

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**HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)**As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>India</b>		
<b>(0.8%; 31.05.21 - 1.2%)</b>		
42,937 HDFC Bank	1,958,703	0.8
	<b>1,958,703</b>	<b>0.8</b>
<b>Japan</b>		
<b>(3.1%; 31.05.21 - 6.4%)</b>		
7,600 Keyence	2,414,312	1.0
170,200 Misumi	3,057,516	1.3
35,200 Sysmex	1,822,160	0.8
	<b>7,293,988</b>	<b>3.1</b>
<b>Netherlands</b>		
<b>(1.8%; 31.05.21 - 2.3%)</b>		
9,031 ASML Holding	4,116,870	1.8
	<b>4,116,870</b>	<b>1.8</b>
<b>New Zealand</b>		
<b>(1.2%; 31.05.21 - 0.0%)</b>		
268,727 Fisher & Paykel	2,803,866	1.2
	<b>2,803,866</b>	<b>1.2</b>
<b>Norway</b>		
<b>(0.8%; 31.05.21 - 1.1%)</b>		
110,962 Tomra	1,794,526	0.8
	<b>1,794,526</b>	<b>0.8</b>
<b>Singapore</b>		
<b>(1.5%; 31.05.21 - 1.4%)</b>		
193,200 DBS Group	3,458,463	1.5
	<b>3,458,463</b>	<b>1.5</b>

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**HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)**As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Sweden</b>		
<b>(5.0%; 31.05.21 - 2.6%)</b>		
201,014 Assa Abloy	3,924,985	1.7
423,473 Atlas Copco A	3,768,495	1.6
20,540 Atlas Copco AB	13,297	0.0
392,082 Hexagon	3,788,124	1.7
	<b>11,494,901</b>	<b>5.0</b>
<b>Switzerland</b>		
<b>(6.8%; 31.05.21 - 7.7%)</b>		
394 Lindt & Sprüngli	3,137,794	1.4
7,404 Lonza	3,531,779	1.5
9,965 Roche	2,689,446	1.2
13,995 Sonova	3,923,507	1.7
9,209 Tecan	2,363,938	1.0
	<b>15,646,464</b>	<b>6.8</b>
<b>Taiwan</b>		
<b>(1.5%; 31.05.21 - 1.5%)</b>		
45,741 Taiwan Semiconductor	3,453,772	1.5
	<b>3,453,772</b>	<b>1.5</b>
<b>United Kingdom</b>		
<b>(3.9%; 31.05.21 - 6.7%)</b>		
91,228 Close Brothers	999,859	0.4
90,290 Diageo	3,317,706	1.4
160,533 Prudential	1,665,530	0.7
480,889 Sage	3,157,517	1.4
	<b>9,140,612</b>	<b>3.9</b>

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**HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)**As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>United States</b> <b>(57.4%; 31.05.21 - 48.3%)</b>		
47,921 Abbott Laboratories	4,457,564	1.9
21,169 Accenture	5,012,289	2.2
75,757 Activision Blizzard	4,675,083	2.0
26,234 Akamai Technologies	2,099,344	0.9
2,425 Alphabet	4,380,392	1.9
27,570 American Express	3,690,928	1.6
72,492 Amphenol	4,070,351	1.7
35,359 Analog Devices	4,717,989	2.0
36,833 Apple	4,341,741	1.9
42,986 Applied Materials	3,993,406	1.7
18,646 Automatic Data Processing	3,292,895	1.4
71,974 Baxter International	4,337,831	1.9
79,734 Brown & Brown	3,752,932	1.6
13,540 Costco Wholesale	4,999,178	2.2
95,955 eBay	3,699,818	1.6
24,742 Equifax	3,967,346	1.7
12,708 Factset Research Systems	3,848,450	1.7
106,227 Intel	3,738,147	1.6
21,573 Keysight Technologies	2,488,587	1.1
23,742 Littelfuse	5,077,063	2.2
32,445 Marsh & McLennan	4,109,614	1.8
31,280 Microsoft	6,738,089	2.9
18,386 Nordson	3,174,863	1.4
47,792 PayPal	3,225,013	1.4
22,188 PPG Industries	2,223,899	1.0
52,028 Ross Stores	3,503,851	1.5
15,946 Stryker	2,962,393	1.3
14,814 The Home Depot	3,553,834	1.5
40,413 The Walt Disney Company	3,538,859	1.5
9,030 Thermo Fisher Scientific	4,062,284	1.7
19,594 Visa	3,292,165	1.4
12,682 W. W. Grainger	4,891,514	2.1
80,517 W. R. Berkley	4,538,173	1.9
20,506 Zoetis	2,777,572	1.2
	<b>133,233,457</b>	<b>57.4</b>

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**HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)**

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As at 31 May 2022

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Holding or nominal value of positions	Unrealised gain/(loss) value £	Percentage of total net assets %
<b>Spot Currency Contracts</b> <b>(0.0%; 31.05.21 - 0.0%)</b>		
\$2,533,862 Forward FX USD v £2,016,924 (expires 01.06.22)*	<b>(5,763)</b>	<b>0.0</b>
	<hr/> <b>(5,763)</b>	<hr/> <b>0.0</b>
 <b>Portfolio of investments</b>	 <b>227,764,776</b>	 <b>98.1</b>
 <b>Net other assets</b>	 <b>4,440,281</b>	 <b>1.9</b>
 <b>Total net assets</b>	<hr/> <b>232,205,057</b>	<hr/> <b>100.0</b>

\* Disclosed as investment liabilities in the Balance Sheet.

All holdings are in equities quoted on official stock exchanges.

'South Korea' sector disinvested since the beginning of the year (31.05.21: 0.5%).

'Spain' sector disinvested since the beginning of the year (31.05.21: 0.8%).

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**HERIOT GLOBAL FUND, SUMMARY OF FUND PERFORMANCE**


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<b>B Income Shares</b>	<b>1 Jun 2021 to 31 May 2022</b>	<b>1 Jun 2020 to 31 May 2021</b>	<b>1 Jun 2019 to 31 May 2020</b>
	(pence per share)	(pence per share)	(pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	225.44	192.30	163.04
Return before operating charges*	4.33	36.49	32.38
Operating charges	(1.23)	(0.99)	(0.87)
Return after operating charges*	3.10	35.50	31.51
Distributions on income shares	(2.41)	(2.36)	(2.25)
Closing net asset value per share	226.13	225.44	192.30
* after direct transaction costs of:	0.04	0.06	0.10
<b>Performance</b>			
Return after charges	1.38%	18.46%	19.33%
<b>Other information</b>			
Closing net asset value	£20,003,345	£20,242,609	£18,447,600
Closing number of shares	8,845,964	8,979,031	9,593,136
Operating charges (p.a.)	0.51%	0.47%	0.48%
Direct transaction costs (p.a.)	0.02%	0.03%	0.06%
<b>Prices</b>			
Highest published share price	265.48	229.93	197.65
Lowest published share price	217.64	188.33	156.58

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*



## HERIOT GLOBAL FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)

<b>B Accumulation Shares</b>	<b>1 Jun 2021 to 31 May 2022</b> (pence per share)	<b>1 Jun 2020 to 31 May 2021</b> (pence per share)	<b>1 Jun 2019 to 31 May 2020</b> (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	259.49	218.98	183.48
Return before operating charges*	4.85	41.64	36.48
Operating charges	(1.42)	(1.13)	(0.98)
Return after operating charges*	3.43	40.51	35.50
Distributions	(2.78)	(2.69)	(2.54)
Retained distributions on accumulation shares	2.78	2.69	2.54
Closing net asset value per share	262.92	259.49	218.98
* after direct transaction costs of:	0.05	0.07	0.12
<b>Performance</b>			
Return after charges	1.32%	18.50%	19.35%
<b>Other information</b>			
Closing net asset value	£50,425,338	£44,840,233	£31,365,608
Closing number of shares	19,178,645	17,280,184	14,323,822
Operating charges (p.a.)	0.51%	0.47%	0.48%
Direct transaction costs (p.a.)	0.02%	0.03%	0.06%
<b>Prices</b>			
Highest published share price	306.73	262.95	223.50
Lowest published share price	251.45	214.46	177.05

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

## HERIOT GLOBAL FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)

<b>A Income Shares</b>	<b>1 Jun 2021 to 31 May 2022</b> (pence per share)	<b>1 Jun 2020 to 31 May 2021</b> (pence per share)	<b>1 Jun 2019 to 31 May 2020</b> (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	220.59	188.63	160.32
Return before operating charges*	4.27	35.75	31.81
Operating charges	(1.80)	(1.48)	(1.29)
Return after operating charges*	2.47	34.27	30.52
Distributions on income shares	(2.35)	(2.31)	(2.21)
Closing net asset value per share	220.71	220.59	188.63
* after direct transaction costs of:	0.04	0.06	0.10
<b>Performance</b>			
Return after charges	1.12%	18.17%	19.04%
<b>Other information</b>			
Closing net asset value	£93,287,646	£88,836,974	£63,019,914
Closing number of shares	42,267,876	40,272,113	33,409,389
Operating charges (p.a.)	0.76%	0.72%	0.73%
Direct transaction costs (p.a.)	0.02%	0.03%	0.06%
<b>Prices</b>			
Highest published share price	259.39	225.05	194.01
Lowest published share price	212.43	184.72	153.66

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

## HERIOT GLOBAL FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)

<b>A Accumulation Shares</b>	<b>1 Jun 2021 to 31 May 2022</b> (pence per share)	<b>1 Jun 2020 to 31 May 2021</b> (pence per share)	<b>1 Jun 2019 to 31 May 2020</b> (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	253.83	214.74	180.36
Return before operating charges*	4.81	40.79	35.85
Operating charges	(2.07)	(1.70)	(1.47)
Return after operating charges*	2.74	39.09	34.38
Distributions	(2.72)	(2.64)	(2.49)
Retained distributions on accumulation shares	2.72	2.64	2.49
Closing net asset value per share	256.57	253.83	214.74
* after direct transaction costs of:	0.04	0.07	0.12
<b>Performance</b>			
Return after charges	1.08%	18.20%	19.06%
<b>Other information</b>			
Closing net asset value	£68,488,728	£32,204,944	£14,867,405
Closing number of shares	26,694,479	12,687,380	6,923,577
Operating charges (p.a.)	0.76%	0.72%	0.73%
Direct transaction costs (p.a.)	0.02%	0.03%	0.06%
<b>Prices</b>			
Highest published share price	299.62	257.30	219.31
Lowest published share price	245.38	210.29	173.70

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

**HERIOT GLOBAL FUND, STATEMENT OF TOTAL RETURN**

For the year ended 31 May 2022

	Note	£	31.05.22 £	31.05.21 £
Income				
Net capital (losses)/gains	2		(1,896,266)	24,267,690
Revenue	3	2,560,287		1,925,757
Expenses	4	(1,506,830)		(940,435)
Interest payable and similar charges	6	(7,660)		(2,280)
Net revenue before taxation		1,045,797		983,042
Taxation	5	(293,861)		(201,118)
Net revenue after taxation			751,936	781,924
<b>Total (loss)/return before distributions</b>			<b>(1,144,330)</b>	<b>25,049,614</b>
Distributions	6		(2,258,765)	(1,717,748)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(3,403,095)</b>	<b>23,331,866</b>

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

For the year ended 31 May 2022

	Note	£	31.05.22 £	31.05.21 £
<b>Opening net assets attributable to shareholders</b>			<b>186,124,760</b>	<b>127,700,527</b>
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		72,167,099		40,347,752
Amounts payable on cancellation of shares		(23,836,212)		(5,996,094)
			48,330,887	34,351,658
Change in net assets attributable to shareholders from investment activities			(3,403,095)	23,331,866
Retained distributions on accumulation shares	6		1,152,505	740,709
<b>Closing net assets attributable to shareholders</b>			<b>232,205,057</b>	<b>186,124,760</b>

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**HERIOT GLOBAL FUND, BALANCE SHEET**As at 31 May 2022

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	Note	31.05.22 £	31.05.21 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments		227,770,539	179,424,610
<b>Current Assets:</b>			
Debtors	7	3,851,135	699,856
Cash and bank balances	8	<u>10,648,425</u>	<u>6,928,593</u>
<b>Total assets</b>		<u><b>242,270,099</b></u>	<u><b>187,053,059</b></u>
<b>Liabilities:</b>			
Investment liabilities		5,763	-
<b>Creditors</b>			
Distribution payable on income shares	6	720,707	708,605
Other creditors	9	<u>9,338,572</u>	<u>219,694</u>
<b>Total liabilities</b>		<u><b>10,065,042</b></u>	<u><b>928,299</b></u>
<b>Net assets attributable to shareholders</b>		<u><b>232,205,057</b></u>	<u><b>186,124,760</b></u>

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS**

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For the year ended 31 May 2022

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**1. Accounting policies**

**(a) Basis of accounting**

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

As described in the Statement of the Authorised Corporate Director's Responsibilities, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the Fund.

**(b) Functional currency**

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Fund operates.

**(c) Recognition of revenue**

Dividends on holdings, net of any irrecoverable tax credits, are recognised when the underlying transferable security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

**(d) Treatment of stock dividends**

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

**(e) Treatment of expenses**

All expenses, net of any associated tax effect, are allocated to the capital account with the exception of bank interest and transaction charges relating to the payment of revenue, which are allocated to the revenue account on an accrual basis.

**(f) Allocation of revenue and expenses to multiple share classes**

Any assets or liabilities not attributable to a particular share class are allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 May 2022

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**1. Accounting policies (continued)**

**(g) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%. This is the rate that has been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

**(h) Distribution policy**

Revenue produced by the Fund's investments accrues six-monthly. At the end of each period, the revenue plus an adjustment for expenses allocated to capital, is accumulated/distributed at the discretion of the Investment Manager as per the prospectus.

**(i) Exchange rates**

Assets and liabilities in overseas currencies at the year-end are translated into Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the year are recorded at the rate of exchange on the date of the transaction.

**(j) Financial instruments**

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at closing prices on the balance sheet date, with any gains or losses arising on measurement recognised in the statement of total return. If closing prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the ACD, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

The ACD did not apply any critical accounting judgements and key sources of estimation and uncertainty.

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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For the year ended 31 May 2022

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**2. Net capital (losses)/gains**

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
Non-derivative securities	(11,721,935)	33,626,882
Currency gains/(losses)	9,809,255	(9,356,729)
Forward currency contracts gains	18,513	-
Transaction charges	(1,883)	(2,463)
Market associated costs	(227)	-
CSDR penalties received	11	-
<b>Net capital (losses)/gains</b>	<b>(1,896,266)</b>	<b>24,267,690</b>

**3. Revenue**

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
UK franked dividends	277,633	252,200
Overseas dividends	2,279,841	1,674,316
Franked income currency losses	3,299	-
Bank interest	1,292	520
Unfranked income currency losses	(1,778)	(1,279)
<b>Total revenue</b>	<b>2,560,287</b>	<b>1,925,757</b>



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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 May 2022

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**4. Expenses**

	31.05.22	31.05.21
	£	£
<b>Payable to the ACD, associates of the ACD and agents of either:</b>		
Annual management charge	1,272,731	833,237
Registration fees	93,985	-
Administration fees	2,463	1,995
	<u>1,369,179</u>	<u>835,232</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either:</b>		
Depositary's fees	61,380	51,230
Safe custody fees	65,201	42,581
	<u>126,581</u>	<u>93,811</u>
<b>Other expenses:</b>		
Audit fee	6,600	5,220
Tax fee	3,240	2,780
FCA fee	89	167
Other expenses	1,141	3,225
	<u>11,070</u>	<u>11,392</u>
<b>Total expenses</b>	<u><b>1,506,830</b></u>	<u><b>940,435</b></u>
	31.05.22	31.05.21
	£	£
<b>Fees payable to the company auditor for the audit of the company's financial statements:</b>		
Total audit fee	<u>6,600</u>	<u>5,220</u>
Total non audit fees - Tax compliance services	<u>3,240</u>	<u>2,780</u>

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 May 2022

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**5. Taxation**

**(a) Analysis of the charge in the year**

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in the year</b>		
Overseas tax	293,861	201,118
<b>Total current tax for the year (see note 5(b))</b>	<b>293,861</b>	<b>201,118</b>
Deferred tax (see note 5(c))	-	-
<b>Total taxation for the year</b>	<b>293,861</b>	<b>201,118</b>

Corporation tax has been provided at a rate of 20%.

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

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised Open-Ended Investment Company (20%). The differences are explained below:

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
Net revenue before taxation	1,045,797	983,042
Corporation tax at 20%	209,159	196,608
<b>Effects of:</b>		
Revenue not subject to taxation	(512,154)	(385,407)
Excess expenses for which no relief taken	302,995	188,799
Overseas taxation	293,861	201,118
<b>Current tax charge for the year (see note 5(a))</b>	<b>293,861</b>	<b>201,118</b>

**(c) Provision for deferred tax**

At 31 May 2022 the Fund had surplus management expenses of £5,071,941 (31 May 2021: £3,556,966). The deferred tax in respect of this would be £1,014,388 (31 May 2021: £711,393). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end (see note 5(a)).

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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For the year ended 31 May 2022

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**6. Distributions**

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

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
Interim - Income	473,061	390,669
Final - Income	<u>720,707</u>	<u>708,605</u>
	1,193,768	1,099,274
Interim - Accumulation	400,902	243,447
Final - Accumulation	<u>751,603</u>	<u>497,262</u>
	1,152,505	740,709
Add: Revenue deducted on cancellation of shares	61,957	16,157
Deduct: Revenue received on issue of shares	<u>(149,465)</u>	<u>(138,392)</u>
<b>Net distribution for the year</b>	<b><u>2,258,765</u></b>	<b><u>1,717,748</u></b>
Interest	<u>7,660</u>	<u>2,280</u>
<b>Total finance costs</b>	<b><u>2,266,425</u></b>	<b><u>1,720,028</u></b>
<b>Reconciliation to net distribution for the year</b>		
Net revenue after taxation for the year	751,936	781,924
Expenses allocated to capital, net of tax relief	1,506,829	940,435
Realised income currency losses	<u>-</u>	<u>(4,611)</u>
<b>Net distribution for the year</b>	<b><u>2,258,765</u></b>	<b><u>1,717,748</u></b>

Details of the distributions per share are set out in the distribution tables on page 40.

**7. Debtors**

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
Amounts receivable for issue of shares	628,747	370,092
Sales awaiting settlement	2,833,316	-
Accrued revenue	260,630	235,091
Income tax recoverable	<u>128,442</u>	<u>94,673</u>
<b>Total debtors</b>	<b><u>3,851,135</u></b>	<b><u>699,856</u></b>

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 May 2022

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**8. Cash and bank balances**

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	10,648,425	6,928,593
<b>Total cash and bank balances</b>	<b>10,648,425</b>	<b>6,928,593</b>

**9. Other creditors**

	<b>31.05.22</b>	<b>31.05.21</b>
	<b>£</b>	<b>£</b>
Amounts payable for cancellation of shares	367,084	115,212
Purchases awaiting settlement	8,799,252	-
Accrued managers fees	115,761	77,560
Accrued registration fees	12,402	-
Accrued administration fees	232	151
Accrued depositary fees	5,359	4,239
Accrued custody fees	28,622	12,102
Accrued audit fees	6,600	5,220
Accrued tax fees	3,240	5,132
Accrued FCA fees	20	47
Debit interest payable	-	31
<b>Total creditors</b>	<b>9,338,572</b>	<b>219,694</b>

**10. Related party transactions**

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at 31 May 2022 there were no shareholders holding more than 25% of the Fund's total net asset value.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the year-end, are fully disclosed in the notes to the Financial Statements.

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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For the year ended 31 May 2022

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**11. Share classes**

The Fund currently has four share classes. The following table shows a breakdown of the change in shares in issue of each share class in the year:

	<b>B Income</b>
Opening shares at the start of the year	8,979,031.148
Total creation of shares in the year	-
Total cancellation of shares in the year	(133,067.348)
<b>Closing shares at the end of the year</b>	<b>8,845,963.800</b>

	<b>A Income</b>
Opening shares at the start of the year	40,272,113.322
Total creation of shares in the year	3,720,002.006
Total cancellation of shares in the year	(1,724,239.815)
<b>Closing shares at the end of the year</b>	<b>42,267,875.513</b>

	<b>B Accumulation</b>
Opening shares at the start of the year	17,280,184.302
Total creation of shares in the year	4,460,154.006
Total cancellation of shares in the year	(2,561,693.212)
<b>Closing shares at the end of the year</b>	<b>19,178,645.096</b>

	<b>A Accumulation</b>
Opening shares at the start of the year	12,687,379.800
Total creation of shares in the year	18,550,375.128
Total cancellation of shares in the year	(4,543,275.675)
<b>Closing shares at the end of the year</b>	<b>26,694,479.253</b>

The annual management charge of each share class is as follows:

A Accumulation Shares	0.65% p.a.
A Income Shares	0.65% p.a.
B Accumulation Shares	0.40% p.a.
B Income Shares	0.40% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Summary of Fund Performance tables on pages 20 to 23. The distributions per share class are given in the distribution tables on page 40. All share classes have the same rights on winding up.

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 May 2022

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**12. Risk management policies**

In pursuing the investment objectives financial instruments are held which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the year, are set out below:

**(a) Currency exposures**

The Fund's financial assets are invested in equities and other transferrable securities whose prices are quoted in various different currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 31 May 2022			Net foreign currency assets at 31 May 2021		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Canadian Dollar	-	2,564	2,564	-	1,825	1,825
Danish Krone	-	8,362	8,362	-	7,138	7,138
Euro	46	23,086	23,132	-	24,188	24,188
Hong Kong Dollar	-	2,167	2,167	-	2,381	2,381
Japanese Yen	-	7,319	7,319	-	11,992	11,992
New Zealand Dollar	-	1,466	1,466	-	-	-
Norwegian Krone	-	1,801	1,801	-	2,012	2,012
Singapore Dollar	-	2,897	2,897	-	2,608	2,608
Swedish Krona	-	10,702	10,702	-	4,837	4,837
Swiss Franc	44	15,647	15,691	23	14,324	14,347
US Dollar	-	136,763	136,763	-	95,877	95,877

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £19,875,448 (31 May 2021: £15,174,397). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the fund would have increased by £24,292,214 (31 May 2021: £18,546,485). These calculations assume all other variables remain constant. The Investment Manager employs no specific policy to manage currency risk.

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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For the year ended 31 May 2022

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**12. Risk management policies (continued)****(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not bearing interest £'000	Floating rate financial liabilities £'000	Financial liabilities not bearing interest £'000	Total £'000
<b>31.05.22</b>						
Canadian Dollar	-	-	2,564	-	-	2,564
Danish Krone	-	-	8,968	-	(606)	8,362
Euro	46	-	23,982	-	(896)	23,132
Hong Kong Dollar	-	-	2,167	-	-	2,167
Japanese Yen	-	-	7,319	-	-	7,319
New Zealand Dollar	-	-	2,804	-	(1,338)	1,466
Norwegian Krone	-	-	1,801	-	-	1,801
Singapore Dollar	-	-	3,458	-	(561)	2,897
Sterling	10,558	-	10,043	-	(1,260)	19,341
Swedish Krona	-	-	11,499	-	(797)	10,702
Swiss Franc	44	-	15,647	-	-	15,691
US Dollar	-	-	141,370	-	(4,607)	136,763
<b>31.05.21</b>						
Canadian Dollar	-	-	1,825	-	-	1,825
Danish Krone	-	-	7,138	-	-	7,138
Euro	-	-	24,188	-	-	24,188
Hong Kong Dollar	-	-	2,381	-	-	2,381
Japanese Yen	-	-	11,992	-	-	11,992
Norwegian Krone	-	-	2,012	-	-	2,012
Singapore Dollar	-	-	2,608	-	-	2,608
Sterling	6,906	-	12,942	-	(928)	18,920
Swedish Krona	-	-	4,837	-	-	4,837
Swiss Franc	23	-	14,324	-	-	14,347
US Dollar	-	-	95,877	-	-	95,877

**12. Risk management policies (continued)****(b) Cash flow risk and interest rate risk profile of financial assets and liabilities (continued)**

Short term debtors and creditors are included as financial assets and liabilities not interest bearing in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not interest bearing mainly comprise investments that do not have a maturity date.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

**(c) Liquidity risk**

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

**(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

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. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

**(e) Market price risk**

The Fund's underlying investments are in securities quoted on recognised stock exchanges or traded on regulated markets. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding a diversified portfolio of investments in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £22,777,054 (31 May 2021: £17,924,461). This calculation assumes all other variables remain constant.



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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 May 2022

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**12. Risk management policies (continued)**

**(f) Fair value of financial assets and liabilities**

Basis of Valuation	INVESTMENT ASSETS	
	31 May 2022	31 May 2021
	£	£
Level 1: Quoted Prices	227,770,539	179,424,610
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	<u>227,770,539</u>	<u>179,424,610</u>

Basis of Valuation	INVESTMENT LIABILITIES	
	31 May 2022	31 May 2021
	£	£
Level 1: Quoted Prices	-	-
Level 2: Observable Market Data	5,763	-
Level 3: Unobservable Data	-	-
	<u>5,763</u>	<u>-</u>

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

**(g) Commitments on derivatives**

No derivatives were held at the balance sheet date (31 May 2021: £nil).

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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For the year ended 31 May 2022

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**13. Transaction costs****(a) Direct transaction costs**

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to the direct transaction costs below, indirect costs are incurred through the bid offer spread. It is not possible for the ACD to quantify these indirect costs. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the year are shown in the table below:

	31.05.22		31.05.21	
	£		£	
<b>Analysis of total purchase costs</b>				
<b>PURCHASES</b>				
Equities	74,507,461		38,770,870	
Net purchases before direct transaction costs	74,507,461		38,770,870	
		<b>% of total</b>		<b>% of total</b>
<b>DIRECT TRANSACTION COSTS</b>		<b>purchases</b>		<b>purchases</b>
Equities	28,630	0.04%	40,540	0.10%
Total direct transaction costs	28,630	0.04%	40,540	0.10%
<b>Gross purchases total</b>	<b>74,536,091</b>		<b>38,811,410</b>	
<b>Analysis of total sale costs</b>				
<b>SALES</b>				
Equities	24,232,789		6,405,474	
Gross sales before direct transaction costs	24,232,789		6,405,474	
		<b>% of total</b>		<b>% of total</b>
<b>DIRECT TRANSACTION COSTS</b>		<b>sales</b>		<b>sales</b>
Equities	(6,970)	0.03%	(2,379)	0.04%
Total direct transaction costs	(6,970)	0.03%	(2,379)	0.04%
<b>Net sales total</b>	<b>24,225,819</b>		<b>6,403,095</b>	
	31.05.22	% of	31.05.21	% of
	£	average NAV	£	average NAV
<b>Analysis of total direct transaction costs</b>				
Equities	35,600	0.02%	42,919	0.03%
Total direct transaction costs	35,600	0.02%	42,919	0.03%

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**HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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For the year ended 31 May 2022

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**13. Transaction costs (continued)****(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 0.11% (31 May 2021: 0.03%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

**14. Capital commitments and contingent liabilities**

The Fund had no capital commitments or contingent liabilities at the balance sheet date (31 May 2021: £nil).

**15. Post balance sheet events**

Subsequent to the year-end, the net asset value per share of each share class has changed as follows:

- The B Income shares have increased from 226.13p to 239.20p as at 5 August 2022.
- The B Accumulation shares have increased from 262.92p to 278.11p as at 5 August 2022.
- The A Income shares have increased from 220.71p to 233.36p as at 5 August 2022.
- The A Accumulation shares have increased from 256.57p to 271.26p as at 5 August 2022.

These movements take into account routine transactions but also reflect the market movements of recent months. There are no post balance sheet events which require adjustments at the year-end.

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**HERIOT GLOBAL FUND, DISTRIBUTION TABLE**For the year ended 31 May 2022

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**Interim Distribution (30 November 2021)**

Group 1 - Shares purchased on or prior to 31 May 2021

Group 2 - Shares purchased after 31 May 2021

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Shares	Revenue	Equalisation <sup>1</sup>	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.01.22 (pence)	31.01.21 (pence)
<b>B Income</b>				
Group 1	0.9711	-	<b>0.9711</b>	<b>0.8954</b>
Group 2	0.9711	-	<b>0.9711</b>	<b>0.8954</b>
<b>A Income</b>				
Group 1	0.9496	-	<b>0.9496</b>	<b>0.8777</b>
Group 2	0.5338	0.4158	<b>0.9496</b>	<b>0.8777</b>
<b>B Accumulation</b>				
Group 1	1.1179	-	<b>1.1179</b>	<b>1.0196</b>
Group 2	0.3623	0.7556	<b>1.1179</b>	<b>1.0196</b>
<b>A Accumulation</b>				
Group 1	1.0931	-	<b>1.0931</b>	<b>0.9991</b>
Group 2	0.5178	0.5753	<b>1.0931</b>	<b>0.9991</b>

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**Final Distribution (31 May 2022)**

Group 1 - Shares purchased on or prior to 30 November 2021

Group 2 - Shares purchased after 30 November 2021

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Shares	Revenue	Equalisation <sup>1</sup>	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.07.22 (pence)	31.07.21 (pence)
<b>B Income</b>				
Group 1	1.4379	-	<b>1.4379</b>	<b>1.4638</b>
Group 2	1.4379	-	<b>1.4379</b>	<b>1.4638</b>
<b>A Income</b>				
Group 1	1.4041	-	<b>1.4041</b>	<b>1.4331</b>
Group 2	0.9279	0.4762	<b>1.4041</b>	<b>1.4331</b>
<b>B Accumulation</b>				
Group 1	1.6613	-	<b>1.6613</b>	<b>1.6742</b>
Group 2	0.9021	0.7592	<b>1.6613</b>	<b>1.6742</b>
<b>A Accumulation</b>				
Group 1	1.6219	-	<b>1.6219</b>	<b>1.6389</b>
Group 2	1.0943	0.5276	<b>1.6219</b>	<b>1.6389</b>

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<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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## **HERIOT GLOBAL SMALLER COMPANIES FUND, AUTHORISED STATUS**

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The Fund is a sub-fund of Heriot Investment Funds with investment powers equivalent to those of a UK UCITS as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

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## **INVESTMENT OBJECTIVE AND POLICY**

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The aim of Heriot Global Smaller Companies Fund (the 'Fund') is to provide capital appreciation over the long term (5 years or more).

The Fund will invest at least 90% of its assets in shares of companies, globally.

The Fund is not constrained by a benchmark and will invest in shares of companies in any country and in any sector. These will typically, at the time of initial purchase, have a market capitalisation that is no larger (by market capitalisation) than the largest company in the MSCI ACWI Small Cap Index. The Investment Manager will monitor the market capitalisation of companies held and will, using its discretion, seek, at the timing of its choice, to dispose of those holdings where the company's market capitalisation has consistently outgrown that of the largest company in the MSCI ACWI Small Cap Index.

The companies selected have high levels of profitability and cash generation, consistent re-investment, and low levels of debt. The Investment Adviser will perform research to identify shares in companies that provide this. To the extent that the Fund is not fully invested in listed equities, investments may be made in cash-like instruments, such as money market instruments, deposits, cash and near cash. Such investments are not intended to be more than 10% in aggregate of the value of the Fund.

The Fund will be actively managed and in selecting investments for the Fund, the Investment Manager will take into account its Baseline Exclusion Criteria (as set out in section 13 of the Prospectus).

The Fund will not use derivatives.

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## **FUND BENCHMARK**

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Shareholders may wish to compare the performance of the Fund against the MSCI ACWI Small Cap Index. The MSCI ACWI Small Cap Index captures small cap representation across a number of developed market countries; and has a considerable number of constituents, covering approximately 14% of the free float-adjusted market capitalization in each country. It is considered that overall this is the most representative benchmark for comparison purposes. Please note the Fund is not constrained by or managed to the MSCI ACWI Small Cap Index. In particular, the MSCI ACWI Small Cap Index is not used to dictate the weighting of assets held and the Fund may also invest in equities that are not contained in the MSCI ACWI Small Cap Index.

The MSCI ACWI Small Cap Index is a Comparator Benchmark of the Fund.

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## **HERIOT GLOBAL SMALLER COMPANIES FUND, RISK PROFILE**

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The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

Smaller companies' securities are often traded less frequently than those of larger companies, this means they may be more difficult to buy and sell. Their prices may also be subject to short term swings.

The Fund invests predominantly in global shares, with some regions being regarded as more risky. The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as safe keeping of assets may become insolvent, which may cause losses to the Fund.

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## **SYNTHETIC RISK AND REWARD INDICATOR**

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The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of one to seven. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category seven because it will invest primarily in global company shares, which have experienced high rises and falls in value in the past five years.

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## **ONGOING CHARGES FIGURE**

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The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The OCF consists principally of the annual management charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performances tables on pages 50 to 53.

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## HERIOT GLOBAL SMALLER COMPANIES FUND, INVESTMENT REVIEW

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### Performance

Cumulative returns for the periods ended 31 May 2022 (%)	
	From launch <sup>1</sup>
A Accumulation Shares	(14.36)
B Accumulation Shares	(14.25)
MSCI ACWI Small Cap Index*	(6.76)

\* *Comparator Benchmark.*

<sup>1</sup> *From 27 September 2021.*

*Source: Financial Express. Total Return. Bid to Bid. Sterling Terms.*

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

Dear fellow investor

This report covers the Heriot Global Smaller Companies Fund's progress over the eight months ended 31 May 2022. (The fund launched on 27 Sept 2021)

The best way to follow the Fund's development is via its monthly factsheets, available at [dundasglobevents.co.uk](https://dundasglobevents.co.uk) along with videos and other material discussing our investment strategy. Suggestions on topics you would like us to cover are very welcome.

Monthly factsheet commentary allows this annual report to take a longer view. Heriot Global Smaller Companies invests in companies capable of sustained long-term business and cash flow growth, enabling them to distribute increasing dividends to their shareholders. So long as dividend growth flows from business expansion and isn't merely ever-higher pay-outs of static profits we have found it to be a reliable pointer to a company's long-term return prospects. By and large where dividends lead, share prices follow.

In the first half of 2022 we exited a global pandemic and its economic impacts only to have a permanent member of the UN Security Council invade one of its closest neighbours, on the lunatic pretext that history gave it the right to do so. Russia and Ukraine are important suppliers of oil, gas, and food to Europe and the wider world. The oil price has soared, contributing to increasing inflation. Bond yields are now following suit.

We are asked often about the impact of 'macro' events on the Fund and our investment decision making. Almost always, equity valuations bear the immediate brunt. Fear can move markets which is why valuation is the most volatile component of returns. Who wouldn't be frightened when a nuclear armed state makes an unprovoked attack?

The Ukraine invasion is an extreme event which at the time of writing is far from over. But there are always 'events'. Our job is to find companies that will grow profitably and sustainably far into the future. Invasions and pandemics are not distractions, they are real and unpleasant things, but they do not and should not dictate investment strategy.

Partly due to recovery from the pandemic but mostly underlying business growth, dividend announcements from many of the Fund's investments in 2022 to date have been heading in the opposite direction to wilting equity markets. Four examples:

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**HERIOT GLOBAL SMALLER COMPANIES FUND, INVESTMENT REVIEW (CONTINUED)**

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**TechnoPro** is a Japanese based consultancy that focuses on providing clients with IT engineers to assist in their research & development projects. TechnoPro is extraordinarily well positioned to grow as chronic underinvestment in R&D as well as demographic issues in Japan is leading to a decline in IT engineers and cutting-edge services. TechnoPro hires the best and brightest and develops them into outstanding engineers to help address these problems. Through 2021 TechnoPro increased their dividend 23% after profits grew 22%.

**HMS Networks** is a Swedish technology company focused on providing cutting edge network technology that enables advanced industrial automation deployment. Their technology allows automation infrastructure, robotics, sensors, conveyor belts etc, to communicate in a seamless manner. This is vital given the high and growing demand for industrial automation equipment as well as the proliferation in communication protocols and machine languages. Through 2021 HMS Networks grew revenue 35% and dividends 59%.

**Vetoquinol** is a French animal health company supplying drugs and non-medicinal products for livestock and companion animals. Management have been focused on resolving production issues prior to our ownership as well as serving growing demand due to rising levels of pet ownership both through the pandemic and beyond. As these issues have resolved growth has recovered with sales rising 22% in 2021 and the board declaring a 60% increase in the dividend.

**Trend Micro** is a Japanese cyber security business serving consumer and enterprise customers with world leading software. Trend Micro has evolved from providing licences for end points, mainly PCs, to providing SaaS solutions across the spectrum of networked assets including PCs, mobile phones, servers and other devices. This ongoing transition is at such a point growth should accelerate and cash flows should grow. Revenue grew 9% in 2021 and the board increased the dividend 27%.

Please feel free to get in touch, Alan Ferguson [aferguson@dundasglobal.com](mailto:aferguson@dundasglobal.com) who looks after our UK clients or me at [alan@dundasglobal.com](mailto:alan@dundasglobal.com).

**Alan McFarlane**  
**Senior Partner**  
**Dundas Partners LLP**  
**Edinburgh, United Kingdom**  
**18 August 2022**



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**HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT**

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As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Australia</b>		
7,476 Carsales.com	85,706	0.8
1,309 Cochlear	165,945	1.5
47,590 Codan	216,281	1.9
	<b>467,932</b>	<b>4.2</b>
<b>Canada</b>		
3,374 Ritchie Bros. Auctioneers	161,134	1.4
	<b>161,134</b>	<b>1.4</b>
<b>Denmark</b>		
4,701 GN Store Nord	147,192	1.3
	<b>147,192</b>	<b>1.3</b>
<b>Finland</b>		
2,975 Vaisala 'A'	109,178	1.0
	<b>109,178</b>	<b>1.0</b>
<b>France</b>		
121 Robertet	93,544	0.8
1,174 Vetoquinol	124,210	1.1
	<b>217,754</b>	<b>1.9</b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)**

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As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Germany</b>		
1,219 Basler	117,359	1.1
3,087 Dermapharm Holding	130,275	1.2
735 Einhell Germany	109,394	1.0
5,667 Jenoptik	124,734	1.1
1,990 Nemetschek	112,921	1.0
1,608 Steico	113,509	1.0
1,406 Stratec	124,122	1.1
	<b>832,314</b>	<b>7.5</b>
<b>Hong Kong</b>		
131,500 Vitasoy	186,444	1.7
	<b>186,444</b>	<b>1.7</b>
<b>Ireland</b>		
5,122 Keywords Studios	119,855	1.1
	<b>119,855</b>	<b>1.1</b>
<b>Italy</b>		
15,928 Brembo	146,438	1.3
4,895 Carel Industries	92,838	0.8
2,066 Diasorin	215,157	1.9
4,135 Interpump Group	149,181	1.3
1,590 Reply	170,927	1.5
	<b>774,541</b>	<b>6.8</b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)**As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Japan</b>		
15,900 Asahi Intecc	190,650	1.7
1,300 Disco	280,499	2.5
5,100 Harmonic Drive Systems	103,596	0.9
10,700 Misumi	192,217	1.7
19,200 Monotaro	223,117	2.0
12,700 TechnoPro	232,687	2.1
6,400 Trend Micro	297,884	2.7
	<b>1,520,650</b>	<b>13.6</b>
<b>Norway</b>		
11,300 Nordic Semiconductor	176,007	1.6
7,528 Tomra	121,746	1.1
	<b>297,753</b>	<b>2.7</b>
<b>Sweden</b>		
16,502 Arjo	92,435	0.8
4,423 CellaVision	123,427	1.1
4,295 HMS Networks	143,269	1.3
6,959 Invisio	87,953	0.8
13,324 Paradox	196,339	1.8
	<b>643,423</b>	<b>5.8</b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)**

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As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Switzerland</b>		
657 Comet	101,929	0.9
109 Inficon	75,810	0.7
88 LEM	128,812	1.1
324 Siegfried	173,629	1.6
3,240 Temenos	249,618	2.2
324 VAT	76,150	0.7
	<b>805,948</b>	<b>7.2</b>
<b>United Kingdom</b>		
10,034 AB Dynamics	116,394	1.0
10,258 Abcam	120,634	1.1
29,340 Alpha Financial Markets Consulting	114,426	1.0
9,711 Close Brothers	106,433	1.0
3,010 Dechra Pharmaceuticals	109,263	1.0
36,886 GB	205,086	1.8
27,453 Hotel Chocolat	89,222	0.8
12,116 Kainos Group	152,662	1.4
18,055 Rs Group	174,863	1.6
20,647 Sage	135,568	1.2
4,917 Softcat	69,871	0.6
100,729 Spirent Communications	233,087	2.1
	<b>1,627,509</b>	<b>14.6</b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)**As at 31 May 2022

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>United States</b>		
1,531 Allegion	135,449	1.2
1,952 Badger Meter	122,348	1.1
3,060 First Amercian Financial	146,841	1.3
940 Fox Factory	61,092	0.5
2,906 Globus Medical	153,244	1.4
4,351 Graco	218,308	2.0
3,529 II-VI	174,744	1.6
1,845 Insperity	146,299	1.3
1,343 John Bean Technologies	129,554	1.2
1,418 Littelfuse	303,229	2.7
2,360 MKS Instruments	230,951	2.1
509 Morningstar	103,579	0.9
7,707 National Instruments	215,637	1.9
1,365 Omnicell	120,222	1.1
2,600 Power Intergrations	173,697	1.6
2,901 Tenable	115,534	1.0
3,497 Trans Union	240,523	2.1
3,118 Xometry	83,781	0.8
	<b>2,875,032</b>	<b>25.8</b>
<b>Portfolio of investments</b>	<b>10,786,659</b>	<b>96.6</b>
<b>Net other assets</b>	<b>379,827</b>	<b>3.4</b>
<b>Total net assets</b>	<b>11,166,486</b>	<b>100.0</b>

*All holdings are in equities quoted on official stock exchanges.*

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**HERIOT GLOBAL SMALLER COMPANIES FUND, SUMMARY OF FUND PERFORMANCE**

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<b>B Income Shares</b>	<b>27 Sept 2021 to 31 May 2022</b> (pence per share)
<b>Change in net assets per share</b>	
Opening net asset value per share	100.00
Return before operating charges*	(14.58)
Operating charges	(0.57)
Return after operating charges*	(15.15)
Distributions on income shares	(0.60)
Closing net asset value per share	84.25
* after direct transaction costs of:	0.12
<b>Performance</b>	
Return after charges	(15.15)%
<b>Other information</b>	
Closing net asset value	£373,033
Closing number of shares	442,750
Operating charges (p.a.)	0.87%
Direct transaction costs (p.a.)	0.20%
<b>Prices</b>	
Highest published share price	106.47
Lowest published share price	80.98

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**HERIOT GLOBAL SMALLER COMPANIES FUND, SUMMARY OF FUND PERFORMANCE**  
**(CONTINUED)**


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<b>B Accumulation Shares</b>	<b>27 Sept 2021 to 31 May 2022</b> (pence per share)
<b>Change in net assets per share</b>	
Opening net asset value per share	100.00
Return before operating charges*	(14.59)
Operating charges	(0.58)
Return after operating charges*	(15.17)
Distributions	(0.60)
Retained distributions on accumulation shares	0.60
Closing net asset value per share	84.83
* after direct transaction costs of:	0.13
<b>Performance</b>	
Return after charges	(15.17)%
<b>Other information</b>	
Closing net asset value	£5,004,773
Closing number of shares	5,899,608
Operating charges (p.a.)	0.87%
Direct transaction costs (p.a.)	0.20%
<b>Prices</b>	
Highest published share price	106.47
Lowest published share price	81.03

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**HERIOT GLOBAL SMALLER COMPANIES FUND, SUMMARY OF FUND PERFORMANCE**  
**(CONTINUED)**


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<b>A Income Shares</b>	<b>27 Sept 2021 to 31 May 2022</b>
	(pence per share)
<b>Change in net assets per share</b>	
Opening net asset value per share	100.00
Return before operating charges*	(14.56)
Operating charges	(0.70)
Return after operating charges*	(15.26)
Distributions on income shares	(0.60)
Closing net asset value per share	84.14
* after direct transaction costs of:	0.12
<b>Performance</b>	
Return after charges	(15.26)%
<b>Other information</b>	
Closing net asset value	£148,604
Closing number of shares	176,606
Operating charges (p.a.)	1.07%
Direct transaction costs (p.a.)	0.20%
<b>Prices</b>	
Highest published share price	106.45
Lowest published share price	80.88

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*



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**HERIOT GLOBAL SMALLER COMPANIES FUND, SUMMARY OF FUND PERFORMANCE  
(CONTINUED)**


---

<b>A Accumulation Shares</b>	<b>27 Sept 2021 to 31 May 2022</b> (pence per share)
<b>Change in net assets per share</b>	
Opening net asset value per share	100.00
Return before operating charges*	(14.57)
Operating charges	(0.71)
Return after operating charges*	(15.28)
Distributions	(0.60)
Retained distributions on accumulation shares	0.60
Closing net asset value per share	84.72
* after direct transaction costs of:	0.13
<b>Performance</b>	
Return after charges	(15.28)%
<b>Other information</b>	
Closing net asset value	£5,640,076
Closing number of shares	6,657,184
Operating charges (p.a.)	1.07%
Direct transaction costs (p.a.)	0.20%
<b>Prices</b>	
Highest published share price	106.45
Lowest published share price	80.93

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**HERIOT GLOBAL SMALLER COMPANIES FUND, STATEMENT OF TOTAL RETURN**For the period ended 31 May 2022

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			27.09.21 to 31.05.22
	Note	£	£
Income			
Net capital losses	2		(1,976,810)
Revenue	3	84,809	
Expenses	4	(77,543)	
Interest payable and similar charges	6	(60)	
Net revenue before taxation		7,206	
Taxation	5	(8,699)	
Net expense after taxation			(1,493)
<b>Total loss before distributions</b>			<b>(1,978,303)</b>
Distributions	6		(75,930)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(2,054,233)</b>

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**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**For the period ended 31 May 2022

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			27.09.21 to 31.05.22
	Note	£	£
<b>Opening net assets attributable to shareholders</b>			-
<i>Movements due to sales and repurchases of shares:</i>			
Amounts receivable on issue of shares		13,273,486	
Amounts payable on cancellation of shares		(127,266)	
			13,146,220
Change in net assets attributable to shareholders from investment activities			(2,054,233)
Retained distributions on accumulation shares	6		74,499
<b>Closing net assets attributable to shareholders</b>			<b>11,166,486</b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, BALANCE SHEET**

As at 31 May 2022

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	Note	31.05.22 £
<b>Assets:</b>		
<b>Fixed Assets:</b>		
Investments		10,786,659
<b>Current Assets:</b>		
Debtors	7	57,154
Cash and bank balances	8	346,130
<b>Total assets</b>		<b>11,189,943</b>
<b>Liabilities:</b>		
<b>Creditors</b>		
Distribution payable on income shares	6	3,274
Other creditors	9	20,183
<b>Total liabilities</b>		<b>23,457</b>
<b>Net assets attributable to shareholders</b>		<b>11,166,486</b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS**

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For the period ended 31 May 2022

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**1. Accounting policies**

**(a) Basis of accounting**

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

As described in the Statement of the Authorised Corporate Director's Responsibilities, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the Fund.

**(b) Functional Currency**

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Fund operates.

**(c) Recognition of revenue**

Dividends on holdings, net of any irrecoverable tax credits, are recognised when the underlying transferable security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

**(d) Treatment of stock dividends**

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

**(e) Treatment of expenses**

All expenses, net of any associated tax effect, are allocated to the capital account with the exception of bank interest and transaction charges relating to the payment of revenue, which are allocated to the revenue account on an accrual basis.

**(f) Allocation of revenue and expenses to multiple share classes**

Any assets or liabilities not attributable to a particular share class are allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

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**HERIOT GLOBAL SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**1. Accounting policies (continued)**

**(g) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%. This is the rate that has been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

**(h) Distribution policy**

Revenue produced by the Fund's investments accrues six-monthly. At the end of each period, the revenue plus an adjustment for expenses allocated to capital, is accumulated/distributed at the discretion of the Investment Manager as per the prospectus.

**(i) Exchange rates**

Assets and liabilities in overseas currencies at the year-end are translated into Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the year are recorded at the rate of exchange on the date of the transaction.

**(j) Financial instruments**

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at closing prices on the balance sheet date, with any gains or losses arising on measurement recognised in the statement of total return. If closing prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the ACD, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

The ACD did not apply any critical accounting judgements and key sources of estimation and uncertainty.

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**2. Net capital losses**

	27.09.21 to 31.05.22 £
Non-derivative securities	(2,250,976)
Currency gains	274,171
Market associated costs	(5)
<b>Net capital losses</b>	<b><u>(1,976,810)</u></b>

**3. Revenue**

	27.09.21 to 31.05.22 £
UK franked dividends	16,212
Overseas dividends	67,924
Franked income currency gains	9
Unfranked income currency gains	664
<b>Total revenue</b>	<b><u>84,809</u></b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**4. Expenses**

	27.09.21 to 31.05.22 £
<b>Payable to the ACD, associates of the ACD and agents of either:</b>	
Annual management charge	57,300
Registration fees	2,301
Administration fees	1,946
	<u>61,547</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either:</b>	
Depositary's fees	3,922
Safe custody fees	1,972
	<u>5,894</u>
<b>Other expenses:</b>	
Audit fee	6,600
Tax fee	3,240
FCA fee	79
Other expenses	183
	<u>10,102</u>
<b>Total expenses</b>	<u><b>77,543</b></u>
	 <b>31.05.22</b> <b>£</b>
<b>Fees payable to the company auditor for the audit of the company's financial statements:</b>	
Total audit fee	<u><b>6,600</b></u>
Total non audit fees - Tax compliance services	<u><b>3,240</b></u>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**5. Taxation**

**(a) Analysis of the charge in the period**

	27.09.21 to 31.05.22 £
<b>Analysis of charge in the period</b>	
Overseas tax	8,699
<b>Total current tax for the period (see note 5(b))</b>	<b>8,699</b>
Deferred tax (see note 5(c))	-
<b>Total taxation for the period</b>	<b>8,699</b>

**(b) Factors affecting the current taxation charge for the period**

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised Open-Ended Investment Company (20%). The differences are explained below:

	27.09.21 to 31.05.22 £
Net revenue before taxation	7,206
Corporation tax at 20%	1,441
<b>Effects of:</b>	
Revenue not subject to taxation	(16,829)
Excess expenses for which no relief taken	15,388
Overseas taxation	8,699
<b>Current tax charge for the period (see note 5(a))</b>	<b>8,699</b>

**(c) Provision for deferred tax**

At 31 May 2022 the Fund had surplus management expenses of £76,939. The deferred tax in respect of this would be £15,388. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end (see note 5(a)).



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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**6. Distributions**

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

	<b>27.09.21 to 31.05.22 £</b>
Interim - Income	69
Final - Income	3,274
	<u>3,343</u>
Interim - Accumulation	8,024
Final - Accumulation	66,475
	<u>74,499</u>
Add: Revenue deducted on cancellation of shares	219
Deduct: Revenue received on issue of shares	(2,131)
<b>Net distribution for the period</b>	<u><b>75,930</b></u>
Interest	60
<b>Total finance costs</b>	<u><b>75,990</b></u>
<b>Reconciliation to net distribution for the period</b>	
Net revenue after taxation for the year	(1,493)
Expenses allocated to capital, net of tax relief	77,423
<b>Net distribution for the period</b>	<u><b>75,930</b></u>

Details of the distributions per share are set out in the distribution tables on page 69.

**7. Debtors**

	<b>31.05.22 £</b>
Amounts receivable for issue of shares	42,810
Accrued revenue	12,280
Income tax recoverable	2,064
<b>Total debtors</b>	<u><b>57,154</b></u>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**8. Cash and bank balances**

	<b>31.05.22</b>
	<b>£</b>
Cash and bank balances	346,130
<b>Total cash and bank balances</b>	<b>346,130</b>

**9. Other creditors**

	<b>31.05.22</b>
	<b>£</b>
Accrued managers fees	7,251
Accrued registration fees	354
Accrued administration fees	232
Accrued depositary fees	404
Accrued custody fees	1,972
Accrued audit fees	6,600
Accrued tax fees	3,240
Accrued FCA fees	79
Debit interest payable	51
<b>Total creditors</b>	<b>20,183</b>

**10. Related party transactions**

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at 31 May 2022 there was one shareholder who held shares equal to approximately 41.6% of the Fund's total net asset value.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the year-end, are fully disclosed in the notes to the Financial Statements.

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**11. Share classes**

The Fund currently has four share classes. The following table shows a breakdown of the change in shares in issue of each share class in the period:

	<b>B Income</b>
Opening shares at the start of the period	-
Total creation of shares in the period	447,750.00
Total cancellation of shares in the period	(5,000.000)
<b>Closing shares at the end of the period</b>	<b>442,750.000</b>

	<b>A Income</b>
Opening shares at the start of the period	-
Total creation of shares in the period	259,338.581
Total cancellation of shares in the period	(82,732.237)
<b>Closing shares at the end of the period</b>	<b>176,606.344</b>

	<b>B Accumulation</b>
Opening shares at the start of the period	-
Total creation of shares in the period	5,899,886.141
Total cancellation of shares in the period	(277.862)
<b>Closing shares at the end of the period</b>	<b>5,899,608.279</b>

	<b>A Accumulation</b>
Opening shares at the start of the period	-
Total creation of shares in the period	6,706,544.667
Total cancellation of shares in the period	(49,360.657)
<b>Closing shares at the end of the period</b>	<b>6,657,184.010</b>

The annual management charge of each share class is as follows:

A Accumulation Shares	0.85% p.a.
A Income Shares	0.85% p.a.
B Accumulation Shares	0.65% p.a.
B Income Shares	0.65% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Summary of Fund Performance tables on pages 50 to 53. The distributions per share class are given in the distribution tables on page 69. All share classes have the same rights on winding up.

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**12. Risk management policies**

In pursuing the investment objectives financial instruments are held which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the year, are set out below:

**(a) Currency exposures**

The Fund's financial assets are invested in equities and other transferrable securities whose prices are quoted in various different currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

Net foreign currency assets at 31 May 2022			
	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000
Australian Dollar	6	468	474
Canadian Dollar	-	161	161
Danish Krone	1	147	148
Euro	-	1,935	1,935
Hong Kong Dollar	-	186	186
Japanese Yen	181	1,527	1,708
Norwegian Krone	1	298	299
Swedish Krona	5	643	648
Swiss Franc	-	808	808
US Dollar	7	2,879	2,886

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £821,754. If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the fund would have increased by £1,004,366. These calculations assume all other variables remain constant. The Investment Manager employs no specific policy to manage currency risk.

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

**12. Risk management policies (continued)**

**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not bearing interest £'000	Floating rate financial liabilities £'000	Financial liabilities not bearing interest £'000	Total £'000
<b>31.05.22</b>						
Australian Dollar	6	-	468	-	-	474
Canadian Dollar	-	-	161	-	-	161
Danish Krone	1	-	147	-	-	148
Euro	-	-	1,935	-	-	1,935
Hong Kong Dollar	-	-	186	-	-	186
Japanese Yen	181	-	1,527	-	-	1,708
Norwegian Krone	1	-	298	-	-	299
Sterling	145	-	1,792	-	(23)	1,914
Swedish Krona	5	-	643	-	-	648
Swiss Franc	-	-	808	-	-	808
US Dollar	7	-	2,879	-	-	2,886

Short term debtors and creditors are included as financial assets and liabilities not interest bearing in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not interest bearing mainly comprise investments that do not have a maturity date.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**12. Risk management policies (continued)****(c) Liquidity risk**

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

**(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

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. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

**(e) Market price risk**

The Fund's underlying investments are in securities quoted on recognised stock exchanges or traded on regulated markets. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding a diversified portfolio of investments in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £1,078,666. This calculation assumes all other variables remain constant.

**(f) Fair value of financial assets and liabilities**

	<b>INVESTMENT ASSETS</b>
	<b>31 May 2022</b>
<b>Basis of Valuation</b>	<b>£</b>
Level 1: Quoted Prices	10,786,659
Level 2: Observable Market Data	-
Level 3: Unobservable Data	-
	<u><b>10,786,659</b></u>

**(g) Commitments on derivatives**

No derivatives were held at the balance sheet date.

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**13. Transaction costs**

**(a) Direct transaction costs**

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to the direct transaction costs below, indirect costs are incurred through the bid offer spread. It is not possible for the ACD to quantify these indirect costs. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the period are shown in the table below:

	<b>27.09.21 to 31.05.22</b>	
	<b>£</b>	
<b>Analysis of total purchase costs</b>		
<b>PURCHASES</b>		
Equities	<u>13,423,281</u>	
Net purchases before direct transaction costs	13,423,281	
		<b>% of total</b>
<b>DIRECT TRANSACTION COSTS</b>		<b>purchases</b>
Equities	<u>15,050</u>	0.11%
Total direct transaction costs	15,050	0.11%
<b>Gross purchases total</b>	<u><b>13,438,331</b></u>	
<b>Analysis of total sale costs</b>		
<b>SALES</b>		
Equities	<u>645,564</u>	
Gross sales before direct transaction costs	645,564	
		<b>% of total</b>
<b>DIRECT TRANSACTION COSTS</b>		<b>sales</b>
Equities	<u>(223)</u>	0.03%
Total direct transaction costs	(223)	0.03%
<b>Net sales total</b>	<u><b>645,341</b></u>	
	<b>27.09.21 to 31.05.22</b>	<b>% of</b>
	<b>£</b>	<b>average NAV</b>
<b>Analysis of total direct transaction costs</b>		
Equities	<u>15,273</u>	0.14%
Total direct transaction costs	<u><b>15,273</b></u>	<b>0.14%</b>

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**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

For the period ended 31 May 2022

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**13. Transaction costs (continued)****(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 0.33%. This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

**14. Capital commitments and contingent liabilities**

The Fund had no capital commitments or contingent liabilities at the balance sheet date.

**15. Post balance sheet events**

Subsequent to the period-end, the net asset value per share of each share class has changed as follows:

- The B Income shares have increased from 84.25p to 88.35p as at 5 August 2022.
- The B Accumulation shares have increased from 84.83p to 88.95p as at 5 August 2022.
- The A Income shares have increased from 84.14p to 88.20p as at 5 August 2022.
- The A Accumulation shares have increased from 84.72p to 88.80p as at 5 August 2022.

These movements take into account routine transactions but also reflect the market movements of recent months. There are no post balance sheet events which require adjustments at the period-end.



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**HERIOT GLOBAL SMALLER COMPANIES FUND, DISTRIBUTION TABLE**

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For the period ended 31 May 2022

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**Interim Distribution (30 November 2021)**

Group 1 - Shares purchased on or prior to 27 September 2021

Group 2 - Shares purchased after 27 September 2021

Shares	Revenue	Equalisation <sup>1</sup>	Paid/Accumulated
	(pence)	(pence)	31.01.22 (pence)
<b>B Income</b>			
Group 1	0.0685	-	<b>0.0685</b>
Group 2	0.0685	-	<b>0.0685</b>
<b>A Income</b>			
Group 1	0.0685	-	<b>0.0685</b>
Group 2	0.0685	-	<b>0.0685</b>
<b>B Accumulation</b>			
Group 1	0.0686	-	<b>0.0686</b>
Group 2	0.0669	0.0017	<b>0.0686</b>
<b>A Accumulation</b>			
Group 1	0.0686	-	<b>0.0686</b>
Group 2	0.0677	0.0009	<b>0.0686</b>

**Final Distribution (31 May 2022)**

Group 1 - Shares purchased on or prior to 30 November 2021

Group 2 - Shares purchased after 30 November 2021

Shares	Revenue	Equalisation <sup>1</sup>	Paid/Accumulated
	(pence)	(pence)	31.07.22 (pence)
<b>B Income</b>			
Group 1	0.5286	-	<b>0.5286</b>
Group 2	0.4771	0.0515	<b>0.5286</b>
<b>A Income</b>			
Group 1	0.5284	-	<b>0.5284</b>
Group 2	0.4771	0.0513	<b>0.5284</b>
<b>B Accumulation</b>			
Group 1	0.5296	-	<b>0.5296</b>
Group 2	0.5255	0.0041	<b>0.5296</b>
<b>A Accumulation</b>			
Group 1	0.5291	-	<b>0.5291</b>
Group 2	0.5064	0.0227	<b>0.5291</b>

<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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## DIRECTORY

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### The Company

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Nottingham NG1 6FJ

### Authorised Corporate Director

T. Bailey Fund Services Limited  
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Nottingham  
NG1 6FJ

Tel: 0115 988 8200  
Dealing Line: 0115 988 8272  
Website: [www.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk)

Authorised and regulated by the Financial Conduct Authority.

### Directors of the ACD

Miss J L Kirk  
Mr G M J Padbury  
Mrs R E Elliott  
Mr M Hand  
Mrs A E Troup (Non-Executive)  
Mr A Kerneis (Non-Executive)

### Investment Manager

Dundas Partners LLP  
41 Northumberland Street  
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EH3 6JA

Tel: 0131 556 2627  
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Authorised and regulated by the Financial Conduct Authority.

### Depository

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### Registrar and Share Dealing

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Dealing Line: 0115 988 8272

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Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

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