



LF Gresham House Equity Funds

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

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



AUTHORISED CORPORATE DIRECTOR ('ACD')

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K.J. Midl
A.G. Reid (appointed 4 January 2021)
A.J. Stenning (resigned 11 February 2021)
A.J. Stuart
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INDEPENDENT AUDITOR

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(Chartered Accountants)

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ACD'S REPORT

for the year ended 31 December 2020

Authorised Status

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

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

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

ACD's Statement

COVID-19

The outbreak of COVID-19, declared by the World Health Organisation as a pandemic on 11 March 2020, caused significant disruption to business and economic activity which was reflected in the fluctuations seen in the global stock markets. In the period since its initial emergence and the global recognition of the seriousness of the pandemic, there were sharp declines in asset prices. As various national governments sought to provide financial support and stimulus to their economies and after the initial success of the global responses to constrain the spread of COVID-19, there followed a period of recovery. However, the impact of a second and even third wave of COVID-19 in a number of countries means that at this time recovery remains fragile. As 2021 emerges, with a number of approved vaccines now entering into the immunisation strategies of various countries there is, subject to no COVID-19 variants defeating the vaccine, hope that the nadir of the global recession may be near. How this will impact markets and translate into future asset pricing is dependent on many factors and it is reasonable to expect that instability and consequently volatility will continue through 2021.

Important Information

With effect from 16 December 2020, amendments were made to the wording of the Investment Objective and Policy for the LF Gresham House UK Multi Cap Income Fund, this change was communicated to shareholders in a letter dated 13 November 2020.

With effect from 16 December 2020, the ACD will now be able to compulsorily convert a shareholder's shares from one share class to another within the LF Gresham House UK Multi Cap Income Fund, this change was communicated to shareholders in a letter dated 13 November 2020.

Cross Holdings

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

ACD'S REPORT *continued*

Remuneration Policy

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

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

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

LFSL delegates portfolio management for the funds to various investment management firms. The portfolio managers' fees and expense for providing investment management services are paid by the ACD out of its own remuneration under the ACD agreement. The investment management firms may make information on remuneration publicly available in accordance with the disclosure requirements of Pillar 3 of the Capital Requirements Directive. This disclosure is in respect of LFSL activities (including activities performed by its sister company Link Fund Administrators Limited (LFAL) or by employees of that entity), and excludes activities undertaken by third party investment management firms. LFSL staff do not perform duties solely for particular funds, nor are they remunerated by reference to the performance of any individual fund. Accordingly, the information below is for LFSL as a whole. No attempt has been made to attribute remuneration to the Company itself.

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 30 June 2020, being the most recent accounting period which accounts have been prepared for LFSL prior to the production of these accounts. As at 30 June 2020, LFSL operated 107 UCITS and 93 AIFs, whose respective assets under management ('AuM') were £41,011 million and £37,140 million. The Company was valued at £68 million as at that date and represented 0.09% of LFSL's total AuM and 0.17% of its UCITS AuM.

ACD'S REPORT *continued*

Remuneration Policy *continued*

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

| 2020 | Number of beneficiaries | Fixed £'000 | Variable £'000 | Total £'000 |
|---|----------------------------|----------------|-------------------|----------------|
| Total amount of remuneration paid by LFSL for the financial year to 30 June 2020 | 165 | 6,573 | 635 | 7,208 |
| Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 30 June 2020 | | | | |
| Senior management (including all Board members) | 6 | 609 | 215 | 824 |
| Staff engaged in control functions | 4 | 371 | 30 | 401 |
| Risk takers and other identified staff | 15 | 1,327 | 164 | 1,491 |
| Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers | – | – | – | – |

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

Further details can be found at: <https://www.linkfundsolutions.co.uk/investor-information/policies/>.

Securities Financing Transactions

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

ACD'S REPORT *continued*

Value Assessment

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

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House Equity Funds

26 April 2021

DIRECTOR'S STATEMENT

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

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House Equity Funds

26 April 2021

STATEMENT OF ACD'S RESPONSIBILITIES

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

In preparing the financial statements the ACD is responsible for:

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

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

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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

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

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

The Depositary must ensure that:

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

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

REPORT OF THE DEPOSITARY

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

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

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Depositary of LF Gresham House Equity Funds

26 April 2021

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

Opinion

We have audited the financial statements of the Company for the year ended 31 December 2020 which comprise the *Statements of Total Return*, the *Statements of Changes in Net Assets Attributable to Shareholders*, the *Balance Sheets*, the *Related Notes and Distribution Tables* for each of the Company's sub-funds listed on pages 2 and 3 and the accounting policies set out on pages 16 to 18.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of each of the sub-funds as at 31 December 2020 and of the net revenue/deficit of revenue and the net capital gains/net capital losses on the property of each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for Opinion

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

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

Going Concern

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

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

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

Our conclusions based on this work:

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

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

Fraud and Breaches of Laws and Regulations – Ability to Detect

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial

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

statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on Which We Are Required to Report by Exception

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

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

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

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

Auditor's Responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The Purpose of Our Audit Work and To Whom We Owe Our Responsibilities

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

26 April 2021

ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 31 December 2020

1. Accounting Policies

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

(A) BASIS OF ACCOUNTING

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

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

(B) RECOGNITION OF REVENUE

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

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

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

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

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

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

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

(C) TREATMENT OF EXPENSES

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

ACCOUNTING AND DISTRIBUTION POLICIES *continued*

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

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

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

(E) TAXATION

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

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

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

(F) BASIS OF VALUATION OF INVESTMENTS

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

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

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

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

(G) EXCHANGE RATES

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

ACCOUNTING AND DISTRIBUTION POLICIES *continued*

(H) DILUTION LEVY

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

(I) DIRECT TRANSACTION COSTS

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

(J) SET UP COSTS

Initial set up costs are written off as they are incurred.

2. Distribution Policies

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

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

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

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

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

for the year ended 31 December 2020

Important Information

Please refer to the Important Information section on page 4.

Investment Objective and Policy

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

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

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

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

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

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

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

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

The Fund can invest across different industry sectors without limitation.

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

The Fund may use derivatives for efficient portfolio management purposes.

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

Benchmark

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

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

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Multi Cap Income Fund

26 April 2021

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2020

Investment Strategy

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

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

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

Movements in Net Asset Value

During the period the gross NAV of the Fund increased from £48.3m¹ to £75.7m¹, of which 91.6% was invested in UK equities – 82.9% in small and mid-cap and 8.7% in large cap. The NAV increased due to net inflows from unit holders amounting to £32.1m, in addition to a negative revaluation of the portfolio of £4.7m. The Fund delivered a negative return of 5.6%² over the period ('C' Sterling Accumulation share class), outperforming the IA UK Equity Income Sector, which returned -10.7%².

Investment Activity

During the period investment activity was strong as inflows were deployed into a combination of new positions and follow-on investments into portfolio companies, totaling £48.5m across both; the number of portfolio companies remained at 42.

The encouraging start to the year for UK equity markets was sharply reversed by extreme volatility as the COVID-19 pandemic unfolded. An initial sentiment driven market reaction evolved into a more fundamental and acute slowdown in global economic growth, which drove UK market uncertainty and a wave of reactive government support initiatives. The Manager responded rapidly and decisively to the pandemic to understand the initial and further potential impact. In the early stages of the crisis the Manager focused on the existing portfolio, which was defensively positioned coming into the crisis, proactively engaging with management to understand the impact and outlook for each investment. The Manager continuously monitored portfolio company

¹ Based on 12 PM Valuation Point.

² Source: FE Analytics.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

situations throughout the year, keeping close to the the fast-moving and evolving backdrop. The Manager took decisive action on divestments fully exiting positions that were non-core, such as Next Fifteen Communications (-15% return), or where the Manager believed there were longer term challenges to the investment case, such as 4Imprint (+2% return).

In line with the Manager's strategy and process, the majority of the Fund's investments sat within high quality businesses, often operating in structurally attractive markets with financially robust business models and generally net cash or lowly geared balance sheets. These businesses typically demonstrated sustainable long-term income streams, some with varying elements of capital growth potential largely driven by structural themes rather than macroeconomic or external factors. As the year progressed the Manager saw these attributes materialise through an encouraging level of cash generation and corresponding commitment to dividends across the portfolio with limited exposure to interrupted income. Portfolio companies showed underlying resilience, with the limited proportion of the portfolio only experiencing a short-term impact due to the pandemic. It was positive to see investees re-calibrate their businesses with agility and emerge strongly from tough trading conditions experienced during the year.

In line with this the Fund deployed £24.0m into 31 existing portfolio companies as follow-on investments during the period. Examples included B&M European Value Retail, a discount retailer operating in the UK and France; Sabre Insurance, a specialist UK motor insurance provider; and Strix Group, a global leader in manufacturing and distributing kettle controls.

The Manager was selective in making new investments during the period, taking advantage of attractive opportunities across the market. The Manager deployed capital into companies across the market cap spectrum and with varying combinations of resilience income and long-term capital growth potential. Some examples included Randall & Quilter, a specialist insurance business where the Manager utilised its wider people network to drive conviction, by building insight though independent insurance specialists with expertise in this niche area; Moneysupermarket, the price comparison business, where the Manager similarly leveraged its network to drive conviction in the investment case; UDG Healthcare, an outsourced provider of drug commercialisation and drug packaging services to the pharmaceutical industry where the Manager used its thematic healthcare investment expertise to validate the attractive long-term structural drivers underpinning UDG's proposition, as well as their proprietary network to drive conviction in the strategy and potential value of both divisions; and FRP Advisory, an IPO of a UK-focused business advisory firm specialising in corporate restructuring.

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

Market gyrations and divergence of performance across UK equity market sectors contributed to corporate activity during the period. The Manager believes that businesses with strong underlying long-term fundamentals, trading durably through the period, which suffered share price falls due to widespread negative sentiment were particularly susceptible to takeovers. Furthermore, the persistent and wide valuation discount across UK equities relative to the global sector and within the small cap space relative to large cap supported this theme. Within the Fund, the Manager realised two full exits from M&A as the takeover of insurance support services business, Charles Taylor, completed. The Manager also saw a recommended cash offer for portfolio company Cello Health by US private equity firm Arsenal Capital Partners. Cello Health is a specialist healthcare consulting firm that sits within one of the Manager's thematic investment areas benefitting from structural long-term trends in the life sciences sector.

Investment Performance

The Fund achieved a total return of -5.6% (based on 'C' Sterling Accumulation share class), ranking 11th out of 86 in the IA UK Equity Income Sector. The Fund outperformed its sector during the period, which was characterised by periods of extreme volatility. The Manager believes that the defensive positioning of the portfolio in terms of high cash weighting coming into the crisis, as well as the focus on quality fundamentals-based businesses in structurally attractive markets with robust earnings streams were key drivers of outperformance. In line with the strategy, process and portfolio composition the Fund outperformed relative to the sector during the first half, benefitting from its defensive positioning, which helped to mitigate participation in the large drawdowns seen across the market. During the second half of the year, whilst the Fund benefitted from the market upswing, it lagged the sector in terms of participating in the vaccine-led rally. This is in line with the Manager's expectations and strategy of targeting strong long-term risk-adjusted returns through employing disciplined risk mitigation processes, leveraging proprietary networks and focusing on quality businesses with sustainable income and structural capital growth dynamics across the market cap spectrum. The Fund ended the period as the top performing UK Equity Income Fund since its launch whilst ranking second lowest level of volatility amongst its sector peer group.

Key contributors to absolute performance during the period were Clipper Logistics, following consistently positive trading throughout the year and earnings upgrades as the pandemic provided an additional tailwind to their structural market dynamics, accelerating the shift to e-commerce; B&M, similarly benefitting from strong trading during the year as their essential stores remained open throughout the lockdowns; and 3i, following strong trading from portfolio company Action, the European discount retailer. Detractors were Vianet, which was impacted by national restrictions across the pub sector due to the pandemic, but which still demonstrated financial and business model resilience; Norcros, following a profit downgrade as a result of the COVID-19 outbreak disrupting its Chinese supply chain; and Ten Entertainment, due to the enforced closure of all their UK sites consistent with the rest of the wider leisure sector.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

Outlook

The Fund continues to seek new monies in order to take advantage of the many opportunities observed within its target universe. In line with the Manager's style the Fund looks to invest in quality companies with sustainable income streams that offer attractive cash flows with the potential to deliver both dividend and capital growth over the long-term and that may demonstrate resilience during more volatile market conditions.

The COVID-19 global pandemic has rocked the global economy with far-reaching impact across governments, businesses and asset classes including the UK equity market. Markets experienced extraordinary volatility with an acute drawdown following the initial outbreak and a similarly sharp rebound following the positive vaccine news. Also of note has been the divergence of performance between sectors. The further tightening of lockdown restrictions in early 2021 reinforces our view that despite the prospect of widespread vaccine roll out the path to pre-COVID normality remains uncertain and likely uneven. We therefore expect periods of heightened sentiment driven volatility in equity markets and particularly at the individual sector and stock level throughout 2021. Nevertheless we are cautiously optimistic that the Brexit trade agreement, while no panacea, can be the catalyst for UK equities to reduce their relative discount to other developed markets and for UK small caps to re-rate positively relative to larger companies.

We believe that volatility, while creating some challenges, will provide an attractive environment for long-term investors to back quality companies with attractive, sustainable income streams at reasonable valuations across the market cap spectrum. Across the UK equity income sector, we believe that there are likely to be appealing diversified, robust and resilient income generating opportunities, that we are well positioned to uncover, appraise and deploy capital into. The economic environment and lingering COVID-19 discontinuity will provide agile smaller businesses with strong management teams with the opportunity to take market share and build strong long-term franchises.

The scale and speed of government support actions for businesses in the UK have undoubtedly mitigated some of the negative economic impact of the crisis but we have yet to see the full extent of the longer-term damage that could not be prevented.

During 2020 there was an unprecedented wave of dividend cuts across the UK equity market, which was particularly pronounced within FTSE 100 constituents where there has historically been a high concentration of dividends across a small number of companies. This will continue to create challenges and uncertainties for UK equity income investors during 2021 and likely beyond as businesses re-build and re-calibrate in response to the constantly evolving backdrop. However, we see significant opportunities as long term investors with the capability and expertise to invest across the market spectrum where we can find high quality businesses providing robust and resilient income streams. As shown by the resilient performance of the Fund's income streams during 2020, the Manager believes they are well-positioned to navigate the UK equity income market's dividend challenges going forward.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

We continue to believe that over the long term our fundamentals focused investment style has the potential to outperform. The Fund will maintain its focus on building a high conviction portfolio of less cyclical, high-quality businesses with stable and growing earnings streams, good cash flows and dividends, across the market cap spectrum. We believe these businesses can deliver strong returns through the market cycle regardless of the performance of the wider economy.

GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Investment Manager

29 January 2021

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION

Risk and Reward Profile



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. As the Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains.

During the year the indicator changed from 4 to 5. The Fund has been classed as 5 because its volatility has been measured as above average.

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

The risk and reward profile shown is not guaranteed to remain the same and may shift over time. The lowest number on the scale does not mean that a fund is risk free.

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

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

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

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

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

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

'C' STERLING INCOME SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 pence per share | 31.12.18 pence per share |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Opening net asset value per share | 124.21 | 99.03 | 106.51 |
| Return before operating charges* | (5.97) | 30.81 | (1.36) |
| Operating charges | (0.95) | (0.98) | (1.06) |
| Return after operating charges | (6.92) | 29.83 | (2.42) |
| Distributions | (3.78) | (4.65) | (5.06) |
| Closing net asset value per share | 113.51 | 124.21 | 99.03 |
| * after direct transaction costs of: | 0.41 | 0.25 | 0.81 |

PERFORMANCE

| | | | |
|----------------------|---------|--------|---------|
| Return after charges | (5.57)% | 30.12% | (2.27)% |
|----------------------|---------|--------|---------|

OTHER INFORMATION

| | | | |
|---------------------------------|-----------|-----------|-----------|
| Closing net asset value (£'000) | 9,270 | 2,162 | 1,064 |
| Closing number of shares | 8,166,257 | 1,740,844 | 1,073,924 |
| Operating charges | 0.86% | 0.89% | 0.97% |
| Direct transaction costs | 0.37% | 0.22% | 0.74% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 129.86 | 126.93 | 116.85 |
| Lowest share price | 89.70 | 100.39 | 100.66 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' STERLING ACCUMULATION SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 pence per share | 31.12.18 pence per share |
|--|-----------------------------|-----------------------------|-----------------------------|
| Opening net asset value per share | 137.15 | 104.96 | 107.82 |
| Return before operating charges* | (6.27) | 33.24 | (1.76) |
| Operating charges | (1.06) | (1.05) | (1.10) |
| Return after operating charges | (7.33) | 32.19 | (2.86) |
| Distributions | (4.23) | (5.02) | (5.20) |
| Retained distributions on accumulation shares | 4.23 | 5.02 | 5.20 |
| Closing net asset value per share | 129.82 | 137.15 | 104.96 |
| * after direct transaction costs of: | 0.45 | 0.26 | 0.84 |

PERFORMANCE

| | | | |
|----------------------|---------|--------|---------|
| Return after charges | (5.34)% | 30.67% | (2.65)% |
|----------------------|---------|--------|---------|

OTHER INFORMATION

| | | | |
|---------------------------------|------------|-----------|-----------|
| Closing net asset value (£'000) | 21,738 | 4,524 | 6,298 |
| Closing number of shares | 16,744,110 | 3,298,620 | 6,000,232 |
| Operating charges | 0.86% | 0.89% | 0.97% |
| Direct transaction costs | 0.37% | 0.22% | 0.74% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 143.37 | 138.73 | 119.28 |
| Lowest share price | 99.03 | 106.39 | 104.85 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'F' STERLING INCOME SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 pence per share | 31.12.18 pence per share |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Opening net asset value per share | 124.88 | 99.43 | 106.77 |
| Return before operating charges* | (5.97) | 30.96 | (1.37) |
| Operating charges | (0.79) | (0.82) | (0.90) |
| Return after operating charges | (6.76) | 30.14 | (2.27) |
| Distributions | (3.80) | (4.69) | (5.07) |
| Closing net asset value per share | 114.32 | 124.88 | 99.43 |
| * after direct transaction costs of: | 0.41 | 0.25 | 0.81 |

PERFORMANCE

| | | | |
|----------------------|---------|--------|---------|
| Return after charges | (5.41)% | 30.31% | (2.13)% |
|----------------------|---------|--------|---------|

OTHER INFORMATION

| | | | |
|---------------------------------|------------|------------|------------|
| Closing net asset value (£'000) | 31,922 | 27,906 | 19,451 |
| Closing number of shares | 27,922,295 | 22,345,352 | 19,563,672 |
| Operating charges | 0.71% | 0.74% | 0.82% |
| Direct transaction costs | 0.37% | 0.22% | 0.74% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 130.60 | 127.63 | 117.23 |
| Lowest share price | 90.23 | 100.80 | 101.06 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'F' STERLING ACCUMULATION SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 pence per share | 31.12.18 pence per share |
|--|-----------------------------|-----------------------------|-----------------------------|
| Opening net asset value per share | 138.01 | 105.45 | 108.14 |
| Return before operating charges* | (6.29) | 33.44 | (1.76) |
| Operating charges | (0.88) | (0.88) | (0.93) |
| Return after operating charges | (7.17) | 32.56 | (2.69) |
| Distributions | (4.25) | (5.04) | (5.22) |
| Retained distributions on accumulation shares | 4.25 | 5.04 | 5.22 |
| Closing net asset value per share | 130.84 | 138.01 | 105.45 |
| * after direct transaction costs of: | 0.46 | 0.27 | 0.84 |

PERFORMANCE

| | | | |
|----------------------|---------|--------|---------|
| Return after charges | (5.20)% | 30.88% | (2.49)% |
|----------------------|---------|--------|---------|

OTHER INFORMATION

| | | | |
|---------------------------------|-----------|-----------|-----------|
| Closing net asset value (£'000) | 11,858 | 12,893 | 5,632 |
| Closing number of shares | 9,063,613 | 9,342,275 | 5,340,855 |
| Operating charges | 0.71% | 0.74% | 0.82% |
| Direct transaction costs | 0.37% | 0.22% | 0.74% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 144.29 | 139.60 | 119.75 |
| Lowest share price | 99.69 | 106.89 | 105.21 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND
ACD'S REPORT *continued*
FUND INFORMATION *continued*

Fund Performance to 31 December 2020 (%)

| | 1 year | 3 years | Since launch ¹ |
|---|--------|---------|---------------------------|
| LF Gresham House UK Multi Cap Income Fund | (5.56) | 20.41 | 31.01 |

¹ Fund launched 30 June 2017.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 51 to 53.

RISK WARNING

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|------------|---|----------------|---------------|
| | CORPORATE BONDS – 1.49% (31.12.19 – 2.24%) | | |
| 1,198,653 | The Lakes Distillery 20% 20/6/2022 ¹ | 1,115 | 1.49 |
| | UNITED KINGDOM – 80.57% (31.12.19 – 82.19%) | | |
| | INDUSTRIALS – 15.49% (31.12.19 – 22.56%) | | |
| | CONSTRUCTION & MATERIALS – 0.00% (31.12.19 – 3.28%) | – | – |
| | ELECTRONIC & ELECTRICAL EQUIPMENT – 0.00% (31.12.19 – 1.67%) | – | – |
| | INDUSTRIAL ENGINEERING – 0.00% (31.12.19 – 1.17%) | – | – |
| | INDUSTRIAL TRANSPORTATION – 2.05% (31.12.19 – 2.07%) | | |
| 269,857 | Clipper Logistics | 1,536 | 2.05 |
| | SUPPORT SERVICES – 13.44% (31.12.19 – 14.37%) | | |
| 1,028,704 | Alpha Financial Markets Consulting ² | 2,304 | 3.08 |
| 13,122,060 | Inspired Energy ² | 1,772 | 2.37 |
| 460,598 | Ricardo | 1,575 | 2.11 |
| 211,194 | Smart Metering Systems ² | 1,497 | 2.00 |
| 2,194,486 | Speedy Hire | 1,549 | 2.07 |
| 2,178,304 | Vianet ² | 1,351 | 1.81 |
| | TOTAL INDUSTRIALS | 11,584 | 15.49 |
| | CONSUMER GOODS – 2.50% (31.12.19 – 7.42%) | | |
| | FOOD PRODUCERS – 0.00% (31.12.19 – 1.87%) | – | – |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|-----------|---|----------------|---------------|
| | HOUSEHOLD GOODS & HOME CONSTRUCTION – 2.50% (31.12.19 – 2.32%) | | |
| 1,013,461 | Watkin Jones ² | 1,867 | 2.50 |
| | LEISURE GOODS – 0.00% (31.12.19 – 3.23%) | – | – |
| | TOTAL CONSUMER GOODS | 1,867 | 2.50 |
| | CONSUMER SERVICES – 13.07% (31.12.19 – 17.43%) | | |
| | GENERAL RETAILERS – 2.12% (31.12.19 – 2.52%) | | |
| 307,311 | B&M European Value Retail | 1,586 | 2.12 |
| | FOOD AND DRUG RETAILERS – 1.32% (31.12.19 – 0.00%) | | |
| 557,668 | Morrison (Wm.) Supermarkets | 989 | 1.32 |
| | MEDIA – 5.28% (31.12.19 – 8.68%) | | |
| 685,327 | Bloomsbury Publishing | 2,015 | 2.70 |
| 740,352 | Moneysupermarket.com | 1,929 | 2.58 |
| | | 3,944 | 5.28 |
| | TRAVEL & LEISURE – 4.35% (31.12.19 – 6.23%) | | |
| 510,373 | Domino's Pizza | 1,613 | 2.16 |
| 839,403 | TEN Entertainment | 1,641 | 2.19 |
| | | 3,254 | 4.35 |
| | TOTAL CONSUMER SERVICES | 9,773 | 13.07 |
| | TELECOMMUNICATIONS – 2.85% (31.12.19 – 4.39%) | | |
| | FIXED LINE TELECOMMUNICATIONS – 2.85% (31.12.19 – 4.39%) | | |
| 148,649 | Telecom Plus | 2,132 | 2.85 |
| | TOTAL TELECOMMUNICATIONS | 2,132 | 2.85 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|-----------|---|----------------|---------------|
| | FINANCIALS – 40.53% (31.12.19 – 25.00%) | | |
| | FINANCIAL SERVICES – 21.90% (31.12.19 – 15.60% ³) | | |
| 197,551 | 3i | 2,287 | 3.06 |
| 1,158,958 | Argentex ² | 1,623 | 2.17 |
| 545,765 | Brewin Dolphin | 1,665 | 2.23 |
| 892,857 | FinnCap ² | 196 | 0.26 |
| 1,406,250 | FRP Advisory | 1,547 | 2.07 |
| 223,513 | Mattioli Woods ² | 1,676 | 2.24 |
| 216,146 | Mortgage Advice Bureau ² | 1,798 | 2.40 |
| 690,515 | Orchard Funding ² | 380 | 0.51 |
| 37,500 | Schroders | 1,251 | 1.67 |
| 4,200 | Schroders <i>non-voting</i> | 96 | 0.13 |
| 457,441 | Tatton Asset Management ² | 1,217 | 1.63 |
| 2,039,502 | XPS Pensions | 2,641 | 3.53 |
| | | <u>16,377</u> | <u>21.90</u> |
| | LIFE INSURANCE – 1.82% (31.12.19 – 0.00%) | | |
| 194,367 | Phoenix | 1,362 | 1.82 |
| | NON-LIFE INSURANCE – 3.70% (31.12.19 – 3.10%) | | |
| 1,000,164 | Sabre Insurance | 2,765 | 3.70 |
| | REAL ESTATE INVESTMENT & SERVICES – 4.91% (31.12.19 – 4.39%) | | |
| 1,469,190 | Belvoir Lettings ² | 2,204 | 2.95 |
| 798,000 | Property Franchise | 1,468 | 1.96 |
| | | <u>3,672</u> | <u>4.91</u> |
| | REAL ESTATE INVESTMENT TRUSTS – 2.32% (31.12.19 – 1.91%) | | |
| 222,944 | Safestore | 1,739 | 2.32 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|-----------|---|----------------|---------------|
| | EQUITY INVESTMENT INSTRUMENTS – 5.88% (31.12.19 – 0.00% ³) | | |
| 2,163,051 | Gresham House Energy Storage ^{4,5} | 2,401 | 3.21 |
| 1,617,150 | Hipgnosis Songs ⁴ | 1,997 | 2.67 |
| | | 4,398 | 5.88 |
| | TOTAL FINANCIALS | 30,313 | 40.53 |
| | HEALTH CARE – 2.19% (31.12.19 – 2.27%) | | |
| | HEALTH CARE EQUIPMENT & SERVICES – 0.00% (31.12.19 – 0.17%) | – | – |
| | PHARMACEUTICALS & BIOTECHNOLOGY – 2.19% (31.12.19 – 2.10%) | | |
| 37,960 | Bioventix ² | 1,640 | 2.19 |
| | TOTAL HEALTH CARE | 1,640 | 2.19 |
| | TECHNOLOGY 3.94% (31.12.19 – 3.12%) | | |
| | SOFTWARE & COMPUTER SERVICES – 3.94% (31.12.19 – 3.12%) | | |
| 180,392 | EMIS ² | 1,952 | 2.61 |
| 1,082,000 | Oxford Metrics | 995 | 1.33 |
| | TOTAL TECHNOLOGY | 2,947 | 3.94 |
| | TOTAL UNITED KINGDOM | 60,256 | 80.57 |
| | BERMUDA – 3.02% (31.12.19 – 0.00%) | | |
| 1,311,469 | Randall & Quilter Investment ² | 2,256 | 3.02 |
| | GUERNSEY – 2.22% (31.12.19 – 2.53%) | | |
| 5,630,039 | Duke Royalty ² | 1,661 | 2.22 |
| | IRELAND – 1.98% (31.12.19 – 0.00%) | | |
| 189,543 | UDG Healthcare | 1,478 | 1.98 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|---------|--|----------------|---------------|
| | ISLE OF MAN – 2.59% (31.12.19 – 3.54%) | | |
| 890,380 | Strix ² | 1,941 | 2.59 |
| | Portfolio of investments | 68,707 | 91.87 |
| | Net other assets | 6,081 | 8.13 |
| | Net assets | 74,788 | 100.00 |

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

¹ Unlisted security.

² AIM – Alternative Investment Market.

³ The comparative figure has been restated to match current period presentation. Orchard Funding has been reclassified from Equity Investment Instruments to Financial Services.

⁴ Closed-ended fund.

⁵ Related party holding (see note 11).

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2020

| Total purchases for the year £'000 (note 15) | 48,411 | Total purchases for the year £'000 (note 15) | 17,817 |
|--|-----------------------|--|---------------------------|
| <u>Major purchases</u> | <u>Cost £'000</u> | <u>Major sales</u> | <u>Proceeds £'000</u> |
| Gresham House Energy Storage | 2,257 | Charles Taylor | 1,646 |
| 3i | 2,163 | Intermediate Capital | 1,209 |
| Moneysupermarket.com | 2,036 | B&M European Value Retail | 1,161 |
| Randall & Quilter Investment | 1,974 | Finsbury Food | 1,125 |
| Speedy Hire | 1,632 | Games Workshop | 1,080 |
| Sabre Insurance | 1,554 | Tesco | 1,009 |
| Argentex | 1,521 | Strix | 974 |
| Hipgnosis Songs | 1,500 | BT | 973 |
| EMIS | 1,498 | 4imprint | 907 |
| Smart Metering Systems | 1,447 | discoverIE | 804 |

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN

for the year ended 31 December 2020

| | Notes | £'000 | 31.12.20 £'000 | £'000 | 31.12.19 £'000 |
|---|-------|-------|-------------------|-------|-------------------|
| Income: | | | | | |
| Net capital (losses)/gains | 3 | | (4,898) | | 9,113 |
| Revenue | 4 | 2,294 | | 1,649 | |
| Expenses | 5 | (488) | | (292) | |
| Net revenue before taxation | | 1,806 | | 1,357 | |
| Taxation | 6 | (30) | | (3) | |
| Net revenue after taxation | | | 1,776 | | 1,354 |
| Total return before distributions | | | (3,122) | | 10,467 |
| Distributions | 7 | | (2,264) | | (1,646) |
| Change in net assets attributable to shareholders from investment activities | | | (5,386) | | 8,821 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 December 2020

| | Note | £'000 | 31.12.20 £'000 | £'000 | 31.12.19 £'000 |
|--|------|----------|-------------------|---------|-------------------|
| Opening net assets attributable to shareholders | | | 47,485 | | 32,445 |
| Amounts receivable on issue of shares | | 54,433 | | 12,765 | |
| Amounts payable on redemption of shares | | (23,045) | | (7,161) | |
| | | | 31,388 | | 5,604 |
| Dilution levy | 1(H) | | 135 | | – |
| Change in net assets attributable to shareholders from investment activities | | | (5,386) | | 8,821 |
| Retained distributions on Accumulation shares | | | 1,166 | | 615 |
| Closing net assets attributable to shareholders | | | 74,788 | | 47,485 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 December 2020

| | Notes | 31.12.20 £'000 | 31.12.19 £'000 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Investments | | 68,707 | 42,974 |
| Current assets | | | |
| Debtors | 8 | 1,793 | 2,415 |
| Cash and bank balances | 9 | 4,935 | 3,753 |
| Total assets | | <u>75,435</u> | <u>49,142</u> |
| LIABILITIES | | | |
| Creditors | | | |
| Distribution payable | 10 | (347) | (311) |
| Other creditors | 10 | (300) | (1,346) |
| Total liabilities | | <u>(647)</u> | <u>(1,657)</u> |
| Net assets attributable to shareholders | | <u>74,788</u> | <u>47,485</u> |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. Accounting Policies

The accounting policies described on pages 16 to 18 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 18 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to this Fund.

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

3. Net Capital (Losses)/Gains

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

| | 31.12.20 £'000 | 31.12.19 £'000 |
|----------------------------|-------------------|-------------------|
| Non-derivative securities | (4,900) | 9,118 |
| Transaction charges | (2) | (1) |
| Currency gains/(losses) | 4 | (4) |
| Net capital (losses)/gains | <u>(4,898)</u> | <u>9,113</u> |

4. Revenue

| | 31.12.20 £'000 | 31.12.19 £'000 |
|----------------------------------|-------------------|-------------------|
| Non-taxable dividends | 1,885 | 1,509 |
| UK property income distributions | 31 | 18 |
| Interest on debt securities | 223 | 109 |
| Bank interest | 10 | 13 |
| Non-taxable stock dividends | 145 | – |
| Total revenue | <u>2,294</u> | <u>1,649</u> |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

5. Expenses

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---|-------------------|-------------------|
| Payable to the ACD, associates of the ACD and agents of either of them: | | |
| Annual Management Charge | 418 | 239 |
| Legal and professional fees | 9 | 10 |
| Typesetting costs | 3 | 4 |
| Registration fees | 19 | 11 |
| | 449 | 264 |
| Payable to the Depositary, associates of the Depositary and agents of either of them: | | |
| Depositary's fees | 23 | 14 |
| Safe custody and other bank charges | 8 | 6 |
| | 31 | 20 |
| Other expenses: | | |
| Audit fees | 8 | 8 |
| Total expenses | 488 | 292 |

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

6. Taxation

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---|-------------------|-------------------|
| a) Analysis of charge for the year | | |
| Corporation tax at 20% | – | – |
| Overseas tax | 30 | 3 |
| Current tax charge | 30 | 3 |
| Deferred tax – origination and reversal of timing differences (note 6c) | – | – |
| Total taxation (note 6b) | 30 | 3 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.19: 20%). The difference is explained below:

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---------------------------------------|-------------------|-------------------|
| Net revenue before taxation | 1,806 | 1,357 |
| Corporation tax at 20% | 361 | 271 |
| Effects of: | | |
| Non-taxable dividends | (406) | (302) |
| Unutilised excess management expenses | 45 | 31 |
| Corporation tax charge | – | – |
| Overseas tax | 30 | 3 |
| Total tax charge (note 6a) | 30 | 3 |

c) Deferred tax

At the year end there is a potential deferred tax asset of £111,000 (31.12.19: £66,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

7. Distributions

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

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---|-------------------|-------------------|
| First Interim | 341 | 151 |
| Second Interim | 572 | 670 |
| Third Interim | 805 | 380 |
| Final | 628 | 489 |
| | 2,346 | 1,690 |
| Add: Revenue deducted on redemption of shares | 135 | 23 |
| Deduct: Revenue received on issue of shares | (217) | (67) |
| Net distributions for the year | 2,264 | 1,646 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

Details of the distributions per share are set out in the table on pages 51 to 53.

| | 31.12.20 £'000 | 31.12.19 £'000 |
|--------------------------------|-------------------|-------------------|
| Distributions represented by: | | |
| Net revenue after taxation | 1,776 | 1,354 |
| Allocations to capital: | | |
| Expenses | 488 | 292 |
| Net distributions for the year | <u>2,264</u> | <u>1,646</u> |

8. Debtors

| | 31.12.20 £'000 | 31.12.19 £'000 |
|--|-------------------|-------------------|
| Amounts receivable for issue of shares | 1,458 | 244 |
| Sales awaiting settlement | – | 1,958 |
| Accrued revenue: | | |
| Non-taxable dividends | 134 | 192 |
| Interest from debt securities | 201 | 21 |
| | <u>335</u> | <u>213</u> |
| Total debtors | <u>1,793</u> | <u>2,415</u> |

9. Cash and Bank Balances

| | 31.12.20 £'000 | 31.12.19 £'000 |
|------------------------------|-------------------|-------------------|
| Bank balances | 4,935 | 3,753 |
| Total cash and bank balances | <u>4,935</u> | <u>3,753</u> |

10. Creditors

| | 31.12.20 £'000 | 31.12.19 £'000 |
|----------------------|-------------------|-------------------|
| Distribution payable | <u>347</u> | <u>311</u> |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

| | 31.12.20 £'000 | 31.12.19 £'000 |
|--|-------------------|-------------------|
| Other Creditors | | |
| Amounts payable for redemption of shares | 101 | 293 |
| Purchases awaiting settlement | 134 | 1,007 |
| Accrued expenses: | | |
| Amounts payable to the ACD, associates of the ACD and agents of either of them: | | |
| Annual Management Charge | 41 | 24 |
| Legal and professional fees | 1 | 1 |
| Typesetting costs | 1 | 2 |
| Registration fees | 2 | 1 |
| | 45 | 28 |
| Amounts payable to the Depositary, associates of the Depositary and agents of either of them: | | |
| Depositary's fees | 2 | 1 |
| Safe custody and other bank charges | 2 | 2 |
| | 4 | 3 |
| Other expenses | 16 | 15 |
| Total other creditors | <u>300</u> | <u>1,346</u> |

11. Related Party Transactions

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

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

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

Harewood Nominees Limited 28.27% (31.12.19: 47.74%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Investment Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

| | 31.12.20 £'000 | 31.12.19 £'000 |
|------------------------------|-------------------|-------------------|
| Investment Manager in common | 2,401 | – |

12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.12.19: none).

13. Shares in Issue

| | 'C' Sterling Income | 'C' Sterling Accumulation | 'F' Sterling Income | 'F' Sterling Accumulation |
|--------------------------|------------------------|------------------------------|------------------------|------------------------------|
| Annual Management Charge | 0.75% | 0.75% | 0.60% | 0.60% |
| Opening shares in issue | 1,740,844 | 3,298,620 | 22,345,352 | 9,342,275 |
| Issues | 7,523,354 | 22,343,423 | 5,791,905 | 8,220,056 |
| Redemptions | <u>(1,097,941)</u> | <u>(8,897,933)</u> | <u>(214,962)</u> | <u>(8,498,718)</u> |
| Closing shares in issue | <u>8,166,257</u> | <u>16,744,110</u> | <u>27,922,295</u> | <u>9,063,613</u> |

14. Risk Management Policies

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

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

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

(A) CREDIT RISK

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

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

(B) INTEREST RATE RISK

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

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

The table below shows the direct interest rate risk profile:

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---|-------------------|-------------------|
| Fixed rate investments | 1,115 | 1,065 |
| Investments on which interest is not paid | 67,592 | 41,909 |
| Total investments | <u>68,707</u> | <u>42,974</u> |

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

(C) FOREIGN CURRENCY RISK

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

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

(D) LEVERAGE

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

(E) LIQUIDITY RISK

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

The ACD monitors the liquidity profile of the Fund on a daily basis. In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile. In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 30 day average market volume of that company's shares. Where a risk is identified then a more in depth review is undertaken to establish its significance, by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume. Based on this analysis 48.79% (31.12.19: 64.70%) of the portfolio can be liquidated within 5 days and 77.34% (31.12.19: 92.01%) within 30 days. Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £3,435,000 (31.12.19: £2,149,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

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

15. Portfolio Transaction Costs

| | Purchases/ sales before transaction costs £'000 | Commissions £'000 | Taxes £'000 | Gross purchases/ net sales £'000 |
|--|---|----------------------|----------------|---|
| 31.12.20 | | | | |
| Ordinary shares | 44,012 | 78 | 131 | 44,221 |
| Collective investment schemes | 4,056 | – | – | 4,056 |
| Debt securities | 134 | – | – | 134 |
| Purchases total | <u>48,202</u> | <u>78</u> | <u>131</u> | <u>48,411</u> |
| <i>Transaction cost % of purchases total</i> | | 0.16% | 0.27% | |
| <i>Transaction cost % of average NAV</i> | | 0.12% | 0.20% | |
| Ordinary shares | 17,845 | (28) | – | 17,817 |
| Sales total | <u>17,845</u> | <u>(28)</u> | <u>–</u> | <u>17,817</u> |
| <i>Transaction cost % of sales total</i> | | 0.16% | – | |
| <i>Transaction cost % of average NAV</i> | | 0.05% | – | |

Average portfolio dealing spread at 31.12.20 is 2.04% (31.12.19: 2.00%).

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

| 31.12.19 | Purchases/ sales before transaction costs £'000 | Commissions £'000 | Taxes £'000 | Gross purchases/ net sales £'000 |
|--|---|----------------------|----------------|---|
| Ordinary shares | 16,847 | 28 | 41 | 16,916 |
| Debt securities | 1,065 | – | – | 1,065 |
| Purchases total | <u>17,912</u> | <u>28</u> | <u>41</u> | <u>17,981</u> |
| <i>Transaction cost % of purchases total</i> | | <i>0.16%</i> | <i>0.23%</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.07%</i> | <i>0.11%</i> | |
| Ordinary shares | 13,958 | (17) | – | 13,941 |
| Sales total | <u>13,958</u> | <u>(17)</u> | <u>–</u> | <u>13,941</u> |
| <i>Transaction cost % of sales total</i> | | <i>0.12%</i> | – | |
| <i>Transaction cost % of average NAV</i> | | <i>0.04%</i> | – | |

The collective investment schemes include closed-ended funds.

16. Fair Value Hierarchy

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

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

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

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

| 31.12.20 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Investment assets | <u>67,592</u> | <u>–</u> | <u>1,115</u> | <u>68,707</u> |
| 31.12.19 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| Investment assets | <u>41,909</u> | <u>–</u> | <u>1,065</u> | <u>42,974</u> |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

17. Subsequent Events

Since the balance sheet date, the price of each of the Fund's share classes has moved as follows:

| Share class | Balance sheet date | 21.04.21 | Movement |
|---------------------------|-----------------------|----------|----------|
| 'C' Sterling Income | 115.52 | 126.68 | 9.66% |
| 'C' Sterling Accumulation | 131.01 | 145.93 | 11.39% |
| 'F' Sterling Income | 116.34 | 127.64 | 9.71% |
| 'F' Sterling Accumulation | 132.03 | 147.13 | 11.44% |

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 26 April 2021.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 December 2020 – in pence per share

EQUALISATION

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

| Group 2 | First Interim | Second Interim | Third Interim | Final |
|---------|---------------|----------------|---------------|----------|
| From | 01.01.20 | 01.04.20 | 01.07.20 | 01.10.20 |
| To | 31.03.20 | 30.06.20 | 30.09.20 | 31.12.20 |

'C' STERLING INCOME SHARES

| First Interim | Net Revenue | Equalisation | Paid 31.05.20 | Paid 31.05.19 |
|---------------|-------------|--------------|------------------|------------------|
| Group 1 | 0.5966 | – | 0.5966 | 0.4466 |
| Group 2 | 0.2775 | 0.3191 | 0.5966 | 0.4466 |

| Second Interim | Net Revenue | Equalisation | Paid 31.08.20 | Paid 31.08.19 |
|----------------|-------------|--------------|------------------|------------------|
| Group 1 | 0.9457 | – | 0.9457 | 1.8448 |
| Group 2 | 0.2518 | 0.6939 | 0.9457 | 1.8448 |

| Third Interim | Net Revenue | Equalisation | Paid 30.11.20 | Paid 30.11.19 |
|---------------|-------------|--------------|------------------|------------------|
| Group 1 | 1.2785 | – | 1.2785 | 1.0855 |
| Group 2 | 0.7869 | 0.4916 | 1.2785 | 1.0855 |

| Final | Net Revenue | Equalisation | Payable 28.02.21 | Paid 29.02.20 |
|---------|-------------|--------------|---------------------|------------------|
| Group 1 | 0.9604 | – | 0.9604 | 1.2720 |
| Group 2 | 0.5230 | 0.4374 | 0.9604 | 1.2720 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*

'C' STERLING ACCUMULATION SHARES

| First Interim | Net Revenue | Equalisation | Allocated 31.05.20 | Allocated 31.05.19 |
|-----------------------|--------------------|---------------------|--------------------------------|-------------------------------|
| Group 1 | 0.6576 | – | 0.6576 | 0.4738 |
| Group 2 | 0.1856 | 0.4720 | 0.6576 | 0.4738 |
| Second Interim | Net Revenue | Equalisation | Allocated 31.08.20 | Allocated 31.08.19 |
| Group 1 | 1.0503 | – | 1.0503 | 1.9629 |
| Group 2 | 0.3120 | 0.7383 | 1.0503 | 1.9629 |
| Third Interim | Net Revenue | Equalisation | Allocated 30.11.20 | Allocated 30.11.19 |
| Group 1 | 1.4334 | – | 1.4334 | 1.1730 |
| Group 2 | 0.9654 | 0.4680 | 1.4334 | 1.1730 |
| Final | Net Revenue | Equalisation | Allocation 28.02.21 | Allocated 29.02.20 |
| Group 1 | 1.0907 | – | 1.0907 | 1.4113 |
| Group 2 | 0.5277 | 0.5630 | 1.0907 | 1.4113 |

'F' STERLING INCOME SHARES

| First Interim | Net Revenue | Equalisation | Paid 31.05.20 | Paid 31.05.19 |
|-----------------------|--------------------|---------------------|--------------------------|--------------------------|
| Group 1 | 0.6002 | – | 0.6002 | 0.4489 |
| Group 2 | 0.2487 | 0.3515 | 0.6002 | 0.4489 |
| Second Interim | Net Revenue | Equalisation | Paid 31.08.20 | Paid 31.08.19 |
| Group 1 | 0.9518 | – | 0.9518 | 1.8532 |
| Group 2 | 0.3989 | 0.5529 | 0.9518 | 1.8532 |

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*

| Third Interim | Net Revenue | Equalisation | Paid 30.11.20 | Paid 30.11.19 |
|---|--------------------|---------------------|--------------------------------|-------------------------------|
| Group 1 | 1.2872 | – | 1.2872 | 1.0910 |
| Group 2 | 0.9299 | 0.3573 | 1.2872 | 1.0910 |
| Final | Net Revenue | Equalisation | Payable 28.02.21 | Paid 29.02.20 |
| Group 1 | 0.9604 | – | 0.9604 | 1.2948 |
| Group 2 | 0.0606 | 0.8998 | 0.9604 | 1.2948 |
| ‘F’ STERLING ACCUMULATION SHARES | | | | |
| First Interim | Net Revenue | Equalisation | Allocated 31.05.20 | Allocated 31.05.19 |
| Group 1 | 0.6628 | – | 0.6628 | 0.4752 |
| Group 2 | 0.2672 | 0.3956 | 0.6628 | 0.4752 |
| Second Interim | Net Revenue | Equalisation | Allocated 31.08.20 | Allocated 31.08.19 |
| Group 1 | 1.0575 | – | 1.0575 | 1.9739 |
| Group 2 | 0.6958 | 0.3617 | 1.0575 | 1.9739 |
| Third Interim | Net Revenue | Equalisation | Allocated 30.11.20 | Allocated 30.11.19 |
| Group 1 | 1.4437 | – | 1.4437 | 1.1816 |
| Group 2 | 1.0112 | 0.4325 | 1.4437 | 1.1816 |
| Final | Net Revenue | Equalisation | Allocation 28.02.21 | Allocated 29.02.20 |
| Group 1 | 1.0904 | – | 1.0904 | 1.4068 |
| Group 2 | 0.1330 | 0.9574 | 1.0904 | 1.4068 |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND ACD'S REPORT

for the year ended 31 December 2020

Important Information

Please refer to the Important Information section on page 4.

Investment Objective and Policy

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

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

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

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

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

Benchmark

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

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

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Smaller Companies Fund

26 April 2021

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2020

Investment Strategy

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

The Fund's investment strategy seeks to leverage the Manager's core expertise, network and experience in investing in small and mid-sized UK businesses across all sectors whilst avoiding extractive Industries. The Fund aims to benefit from the wider Gresham House platform of research and investment professionals, as well as its private equity and strategic public equity heritage and network of entrepreneurs, business leaders and industry specialists.

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

Movements in Net Asset Value

As at 31 December 2020 the gross NAV of the Fund was £4.6m¹, of which 96.5% was invested in UK equities. This compared to a NAV of £4.2m¹ at the beginning of the period. The increase in NAV was due to a revaluation of the portfolio of £0.4m. The Fund generated a capital return of 10.9%² over the period (based on 'C' Sterling Accumulation share class) compared to the IA UK Smaller Companies sector which returned 6.5%².

Investment Activity

Investment activity was material during the period with a total of £3.7m invested; the number of portfolio companies increased from 39 to 50 as of 31 December 2020. This was heightened due to the appointment of Richard Staveley in September 2020 and a subsequent portfolio re-structuring.

Most of the Fund's holdings are in companies where the Manager has extensive knowledge and experience built up over many years. A number of companies held within the Fund have been previous holdings of the Manager's UK Microcap fund where they have outgrown or are in the process of outgrowing the mandate of that fund but where the Manager retains strong relationships with management and expects further value creation potential at a larger scale.

The encouraging start to the year for UK equity markets following the Conservative party majority win in the General Election was sharply reversed by extreme volatility as the COVID-19 pandemic unfolded. A rapid initial correction reflected the material negative effect that the virus would likely have on global economic growth, and company finances with intensity in the most directly affected industries such as Leisure and Travel. However, the Central Bank 'play-book' was quickly initiated with material monetary stimulus and, for this crisis, also accompanied by

¹ Based on 12 PM Valuation Point.

² Source: FE Analytics.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

huge government fiscal support. The Manager took decisive action on divestments fully exiting positions where the Manager believed there were longer term challenges to the investment case, such as Norcros (-35% return), Next Fifteen Communications (-40% return) and 4Imprint (-4% return). The Manager also took advantage of resilient trading through the COVID-19 lockdown and share price outperformance of certain holdings to realise some profits in stocks such as Ergomed, a provider of clinical research organisation and pharmacovigilance services to the pharmaceutical industry; Knights Group, a UK legal services business; Impax Asset Management, an ESG focused fund-manager and Codemasters, a video games developer which received takeover approaches.

Within the consumer and leisure sector, which was initially heavily impacted by COVID-19, the Manager selectively deployed capital into companies that aligned with target areas of long-term structural growth. In "low ticket" experiential leisure, and as part of an equity placing, the Manager made a follow-on investment into Ten Entertainment Group, a UK ten pin bowling operator. The Manager also participated in an equity placing for cafe-bar operator, Loungers. The Manager also made a new investment into Randall & Quilter, a specialist insurance business where the Manager leveraged the wider people network to drive conviction, by building insight through independent insurance specialists with expertise in this niche area.

Market dislocations precipitated by COVID-19 uncertainty and sentiment driven selling provided attractive opportunities for the Manager to take advantage of material share price falls in otherwise sound businesses within the portfolio. As a result, follow on investments were made into Inspired Energy, Alpha Financial Markets and Ricardo.

A long period, over a decade, has now elapsed where interest rates have been manipulated by the world's Central Banks to their lowest ever historic levels. This activity has now reached epic proportions with accelerated quantitative easing to combat the harmful economic effects of the pandemic. The world's negatively yielding debt now exceeds \$16 trillion. The secondary impact of this downward shift in the yield on risk-free assets has been to push investors into new, alternative, and higher risk investments and assets which replace lost yield and also to gradually build a supportive narrative for the re-rating of long-duration assets such as 'Growth' equities due to the collapsed discount rate. Whilst a premium for sustainably higher than average growth is deserved, the scale of the premium, for companies whose narrative has convinced market participants long term growth is secure, has been steadily increasing in recent years. This trend accelerated in 2020 leading to the widest dispersion between the most expensive, fastest growing stocks and the lowest value stocks on record. In October, a significant portfolio restructuring was undertaken. Several of the Fund's holdings had benefitted hugely from the above dynamic and we have exited a number, examples are S4 Capital, Knights, GB, Domino's Pizza, Sanne and Gamma Communications. At the same time a number of companies were identified with material profit recovery potential and very depressed valuations, examples include Reach, RPS, Galliford Try, DX Group, and Rank. In addition, a number of high-quality companies were purchased for the Fund such as Augean, LSL property services, Flowtech Fluidpower, Volution, Chemring, STV, and 888.com. The Manager remains committed to identifying sustainably high growth companies and expects Inspired Energy, Clipper Logistics, Alpha Financial Markets, Accrol and Capital Group to deliver in this regard.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

The Manager has significant confidence in the outlook for the portfolio. Whilst several holdings have a combination of the following characteristics, the primary factor driving the specific equity investment thesis, alongside undervaluation, of the holdings divides the portfolio approximately 45% in 'Quality', 25% in 'Growth' and 25% in 'Recovery' investments.

Investment Performance

The Fund was placed 14th out of 51 in the IA UK Smaller Companies Sector delivering a total fund return of 10.9% at 31 December 2020 (based on the 'C' Sterling Accumulation share class). Performance vs the sector accelerated in the second half.

Key contributors to absolute performance during the period were Ergomed, due to positive results and forecast upgrades; Codemasters, after releasing strong results and multiple takeover approaches; and DX Group, as the market began to appreciate the operational turn-around under the new management. There was a significant combined positive attribution in the final quarter post vaccine development news in 'Recovery' investments introduced in October, in particular Reach, Galliford Try and Rank.

Detractors during the period were Ten Entertainment and Games Workshop, because of the enforced closure of their sites consistent with the rest of the wider leisure and retail sectors and Filta Group, due to the COVID-19 impact on its leisure sector customer base. The latter two have been exited.

Outlook

2020 was an extraordinary year. No living fund manager had experience of a global pandemic. The speed of the market correction exceeded previous market drawdowns, whilst the pace of the subsequent recovery in markets was also breath-taking. During this period over-leveraged companies have relied on a combination of Bank flexibility, fiscal support, aggressive cost-cutting and, importantly, equity markets to raise additional capital. The critical role equity markets have played in 2020 should therefore not be overlooked. Whilst certain sectors of the global economy have been decimated, many employees able to work from home have seen expenditure down, income stable and presumably now have pent-up demand for goods and services. This is the case with many corporates too. In the US, market leadership from a narrow group of hugely powerful technology companies (now under regulatory scrutiny) has captured the imagination, both of private individuals where trading account opening data and the use of fractional options suggest a material engagement with the stock market has emerged and also professional investors. Classic 'herd' behaviour can be witnessed, as a proportion of professional investors are choosing to happily participate in the raft of new technology offerings that, as usual, have emerged in the behemoths wake, the valuations of which matched only by the excesses of the 1998-2000 TMT 'bubble', despite little evidence of cash generation and rather short corporate histories. Huge amounts raised by 'blind-cheque' SPAC companies in the US are also an indication that 'animal spirits' are high.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

In contrast, UK equities, as evidenced by net outflows, low valuations vs history and other markets and widespread market commentary and surveys, are clearly heavily out of favour. We see this being primarily driven by sustained negative sentiment which emerged post the Referendum vote in 2016, and a sector mix in the FTSE 100 which lacks the excitement of the US, has been weighed on by changing attitudes to extractive Industries and a long period of Banking sector difficulties. However, there is no doubt a structural move from UK investment mandates to Global equity mandates has also weighed on the UK market. Gloomy all this may sound; however, the reality is that UK Smaller companies have considerable numbers of high growth companies, a vibrant technology sector, a much wider and diverse universe than the narrow FTSE 100 and a plethora of entrepreneurial financial companies a world apart from high street banks. Furthermore, with regards to outlook, Brexit has occurred, and a 'no deal' avoided. Could the negative effects of leaving the EU possibly be baked into market expectations and valuations? Is the risk-reward equation superior to that offered by US equities now? We believe so.

As a result, we see the UK market on a very wide valuation discount to both US and European stock markets; we expect this to narrow. We observe a meaningful discount within the UK market for small company shares, a reflection partly of lower liquidity, yet we see their growth prospects as being better, their industry diversity more exciting and believe the discount should close, as it has done many times before. The 'air-cover' of extreme equity valuations in various themes in the US has allowed some types of companies within the UK to achieve stretched valuations, we have re-balanced to minimise the impact a re-assessment of growth valuations and mean reversion of the 'growth' premium would have on the portfolio. Finally, M&A activity has been increasing. This is understandable as Trade buyers and Private Equity see that many over-looked companies listed in the UK offer good value, have strong market positions and excellent prospects for improvements in profitability and returns. All these factors are positive for the outlook of the Fund.

The post 'normalisation' period is of course harder to predict. Innate human desires for social interaction, cultural enrichment and 'tribal' feelings of belonging are unlikely to change, whilst it is less clear whether the rise in environmental consciousness will be sufficient to offset the desire to travel. Acceleration of prior trends such as the use of e-commerce and working-from-home seem unlikely to regress and the latter surely will cause permanent changes to the nature of the workplace, real estate requirements, and the geography of consumer spending from workplace to neighbourhood. Many companies will emerge stronger, leaner, and have had accelerated internal restructuring, others will surely use this next phase to consolidate their market position and exploit the weakened by strategically sensible acquisitions. Aggregate demand, though, is likely to take time to recover sustainably to previous levels, as governments and many corporates are saddled with excessive debt. We anticipate inflation picking-up as the easiest option for authorities to deal with this issue.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

The portfolio therefore has a range of cash generative businesses with excellent profit growth prospects, strong balance sheets, market positions and low equity valuations, many of which have non-cyclical end markets or self-help opportunities to drive improved cash generation. The second half of 2021 should surely mark a period of sustained recovery in the global and UK economy. Cost-cutting enacted in 2020 will underpin rapid profit recovery in 2021 as demand improves. The valuation of UK equities, small cap equities specifically and indeed the portfolio, provide the foundations for optimism.

GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Investment Manager

29 January 2021

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

FUND INFORMATION

Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. As the Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains.

During the year the indicator changed from 5 to 6. The Fund has been classed as 6 because its volatility has been measured as above average to high.

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

The risk and reward profile shown is not guaranteed to remain the same and may shift over time. The lowest number on the scale does not mean that a fund is risk free.

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

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

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

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

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

'C' STERLING INCOME SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 ¹ pence per share |
|--------------------------------------|-----------------------------|--|
| Opening net asset value per share | 124.60 | 100.00 |
| Return before operating charges* | 15.13 | 26.52 |
| Operating charges | (1.95) | (1.92) |
| Return after operating charges | 13.18 | 24.60 |
| Distributions | – | – |
| Closing net asset value per share | 137.78 | 124.60 |
| * after direct transaction costs of: | 0.69 | 0.61 |

PERFORMANCE

| | | |
|----------------------|--------|--------|
| Return after charges | 10.58% | 24.60% |
|----------------------|--------|--------|

OTHER INFORMATION

| | | |
|---------------------------------|-------|--------------------|
| Closing net asset value (£'000) | – | – |
| Closing number of shares | 250 | 250 |
| Operating charges | 1.76% | 1.96% ² |
| Direct transaction costs | 0.62% | 0.62% ² |

PRICES

| | | |
|---------------------|--------|--------|
| Highest share price | 139.57 | 126.22 |
| Lowest share price | 76.75 | 99.40 |

¹ From 1 February 2019.

² Annualised figure due to share class launched less than 1 year.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' STERLING ACCUMULATION SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 ¹ pence per share |
|--|-----------------------------|--|
| Opening net asset value per share | 125.02 | 100.00 |
| Return before operating charges* | 15.92 | 26.95 |
| Operating charges | (1.96) | (1.93) |
| Return after operating charges | 13.96 | 25.02 |
| Distributions | – | (0.34) |
| Retained distributions on accumulation shares | – | 0.34 |
| Closing net asset value per share | 138.98 | 125.02 |
| * after direct transaction costs of: | 0.70 | 0.61 |

PERFORMANCE

| | | |
|----------------------|--------|--------|
| Return after charges | 11.17% | 25.02% |
|----------------------|--------|--------|

OTHER INFORMATION

| | | |
|---------------------------------|-----------|--------------------|
| Closing net asset value (£'000) | 4,624 | 4,147 |
| Closing number of shares | 3,326,745 | 3,316,995 |
| Operating charges | 1.76% | 1.96% ² |
| Direct transaction costs | 0.62% | 0.62% ² |

PRICES

| | | |
|---------------------|--------|--------|
| Highest share price | 140.78 | 126.65 |
| Lowest share price | 77.06 | 99.41 |

¹ From 1 February 2019.

² Annualised figure due to share class launched less than 1 year.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND
ACD'S REPORT *continued*
FUND INFORMATION *continued*

Fund Performance to 31 December 2020 (%)

| | 1 year | Since launch ¹ |
|--|--------|---------------------------|
| LF Gresham House UK Smaller Companies Fund | 10.94 | 40.51 |

¹ *Launch date 1 February 2019.*

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

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

Details of the distributions per share for the year are shown in the Distribution Table on page 82.

RISK WARNING

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

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|---------|---|----------------|---------------|
| | UNITED KINGDOM – 86.98% (31.12.19 – 95.15%) | | |
| | INDUSTRIALS – 35.49% (31.12.19 – 31.08%) | | |
| | AEROSPACE & DEFENCE – 2.10% (31.12.19 – 0.00%) | | |
| 34,000 | Chemring | 97 | 2.10 |
| | CONSTRUCTION & MATERIALS – 6.12% (31.12.19 – 2.82%) | | |
| 34,874 | Balfour Beatty | 94 | 2.03 |
| 75,000 | Galliford Try | 93 | 2.01 |
| 35,000 | Volution | 96 | 2.08 |
| | | 283 | 6.12 |
| | ELECTRONIC & ELECTRICAL EQUIPMENT – 0.00% (31.12.19 – 1.57%) | – | – |
| | GENERAL INDUSTRIALS – 1.81% (31.12.19 – 0.00%) | | |
| 124,200 | Coats | 84 | 1.81 |
| | INDUSTRIAL ENGINEERING – 2.16% (31.12.19 – 2.15%) | | |
| 110,000 | Flowtech Fluidpower ¹ | 100 | 2.16 |
| | INDUSTRIAL TRANSPORTATION – 5.41% (31.12.19 – 2.51%) | | |
| 16,500 | Clipper Logistics | 94 | 2.04 |
| 447,675 | DX ¹ | 156 | 3.37 |
| | | 250 | 5.41 |
| | SUPPORT SERVICES – 17.89% (31.12.19 – 22.03%) | | |
| 36,869 | Alpha Financial Markets Consulting ¹ | 82 | 1.77 |
| 67,500 | Augean ¹ | 142 | 3.07 |
| 480,000 | Inspired Energy ¹ | 65 | 1.41 |
| 57,000 | Mears | 87 | 1.88 |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|---------|---|----------------|---------------|
| 26,000 | Redde Northgate | 69 | 1.49 |
| 24,000 | Restore ¹ | 94 | 2.03 |
| 28,000 | Ricardo | 96 | 2.08 |
| 153,172 | RPS | 107 | 2.32 |
| 120,000 | Speedy Hire | 85 | 1.84 |
| | | 827 | 17.89 |
| | TOTAL INDUSTRIALS | 1,641 | 35.49 |
| | CONSUMER GOODS – 8.17% (31.12.19 – 11.67%) | | |
| | BEVERAGES – 1.99% (31.12.19 – 1.13%) | | |
| 34,472 | Stock Spirits | 92 | 1.99 |
| | FOOD PRODUCERS – 2.14% (31.12.19 – 2.29%) | | |
| 65,000 | Devro | 99 | 2.14 |
| | HOUSEHOLD GOODS & HOME CONSTRUCTION – 4.04% (31.12.19 – 5.31%) | | |
| 173,636 | Accrol ¹ | 107 | 2.31 |
| 13,000 | IG Design ¹ | 80 | 1.73 |
| | | 187 | 4.04 |
| | LEISURE GOODS – 0.00% (31.12.19 – 2.94%) | – | – |
| | TOTAL CONSUMER GOODS | 378 | 8.17 |
| | CONSUMER SERVICES – 19.85% (31.12.19 – 21.08%) | | |
| | GENERAL RETAILERS – 2.01% (31.12.19 – 2.63%) | | |
| 42,500 | DFS Furniture | 93 | 2.01 |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|---------|---|----------------|---------------|
| | MEDIA – 9.71% (31.12.19 – 7.02%) | | |
| 8,250 | Euromoney Institutional Investor | 88 | 1.90 |
| 35,000 | Gocompare.Com | 45 | 0.97 |
| 91,237 | Reach | 130 | 2.81 |
| 35,363 | STV | 106 | 2.30 |
| 100,000 | ULS Technology ¹ | 80 | 1.73 |
| | | <u>449</u> | <u>9.71</u> |
| | TRAVEL & LEISURE – 8.13% (31.12.19 – 11.43%) | | |
| 30,000 | Loungers ¹ | 65 | 1.40 |
| 70,000 | Rank | 97 | 2.10 |
| 41,370 | TEN Entertainment | 81 | 1.75 |
| 30,000 | The Gym | 65 | 1.41 |
| 9,000 | Young & Co's Brewery ¹ | 68 | 1.47 |
| | | <u>376</u> | <u>8.13</u> |
| | TOTAL CONSUMER SERVICES | <u>918</u> | <u>19.85</u> |
| | TELECOMMUNICATIONS – 0.00% (31.12.19 – 1.76%) | | |
| | FIXED LINE TELECOMMUNICATIONS – 0.00% (31.12.19 – 1.76%) | <u>–</u> | <u>–</u> |
| | FINANCIALS – 16.63% (31.12.19 – 17.17%) | | |
| | BANKS – 1.45% (31.12.19 – 0.00%) | | |
| 4,800 | Close Brothers | <u>67</u> | <u>1.45</u> |
| | FINANCIAL SERVICES – 11.18% (31.12.19 – 17.17%) | | |
| 54,636 | Argentex ¹ | 76 | 1.64 |
| 6,500 | Impax Asset Management ¹ | 45 | 0.97 |
| 10,500 | Mattioli Woods ¹ | 79 | 1.71 |
| 8,850 | Mortgage Advice Bureau ¹ | 74 | 1.60 |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|---------|---|----------------|---------------|
| 15,435 | Polar Capital ¹ | 107 | 2.31 |
| 30,000 | TP ICAP | 71 | 1.54 |
| 50,000 | XPS Pensions | 65 | 1.41 |
| | | <u>517</u> | <u>11.18</u> |
| | REAL ESTATE INVESTMENT & SERVICES – 4.00% (31.12.19 – 0.00%) | | |
| 46,000 | Belvoir Lettings ¹ | 69 | 1.49 |
| 40,000 | LSL Property Services | 116 | 2.51 |
| | | <u>185</u> | <u>4.00</u> |
| | TOTAL FINANCIALS | <u>769</u> | <u>16.63</u> |
| | HEALTH CARE – 1.56% (31.12.19 – 4.70%) | | |
| | HEALTH CARE EQUIPMENT & SERVICES – 1.56% (31.12.19 – 1.33%) | | |
| 13,882 | CareTech ¹ | 72 | 1.56 |
| | PHARMACEUTICALS & BIOTECHNOLOGY – 0.00% (31.12.19 – 3.37%) | <u>–</u> | <u>–</u> |
| | TOTAL HEALTH CARE | <u>72</u> | <u>1.56</u> |
| | TECHNOLOGY – 5.28% (31.12.19 – 7.69%) | | |
| | SOFTWARE & COMPUTER SERVICES – 5.28% (31.12.19 – 7.69%) | | |
| 10,412 | Codemasters ¹ | 68 | 1.47 |
| 7,000 | EMIS ¹ | 76 | 1.65 |
| 117,500 | Tribal ¹ | 100 | 2.16 |
| | TOTAL TECHNOLOGY | <u>244</u> | <u>5.28</u> |
| | TOTAL UNITED KINGDOM | <u>4,022</u> | <u>86.98</u> |
| | BERMUDA – 1.88% (31.12.19 – 0.00%) | | |
| 50,345 | Randall & Quilter Investment ¹ | 87 | 1.88 |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|---------|--|----------------|---------------|
| | GIBRALTAR – 1.95% (31.12.19 – 0.00%) | | |
| 31,500 | 888 | 90 | 1.95 |
| | ISLE OF MAN – 1.58% (31.12.19 – 2.63%) | | |
| 33,521 | Strix ¹ | 73 | 1.58 |
| | MAURITIUS – 4.11% (31.12.19 – 0.00%) | | |
| 288,600 | Capital Drilling | 190 | 4.11 |
| | Portfolio of investments | 4,462 | 96.50 |
| | Net other assets | 162 | 3.50 |
| | Net assets | 4,624 | 100.00 |

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

¹ Quoted on the Alternative Investment Market (AIM).

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2020

| Total purchases for the year £'000 (note 15) | 3,704 | Total sales for the year £'000 (note 15) | 3,773 |
|--|---------------|--|-------------------|
| Major purchases | Cost £'000 | Major sales | Proceeds £'000 |
| Volution | 206 | Ergomed | 237 |
| Capital Drilling | 181 | Knights | 203 |
| Augean | 122 | S4 Capital | 159 |
| Devro | 111 | Impax Asset Management | 151 |
| Randall & Quilter Investment | 100 | Codemasters | 145 |
| Chemring | 100 | B&M European Value Retail | 132 |
| STV | 100 | Ideagen | 112 |
| Reach | 93 | Volution | 108 |
| Galliford Try | 91 | Biffa | 103 |
| Mears | 91 | Inspired Energy | 100 |

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

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN

for the year ended 31 December 2020

| | Notes | £'000 | 31.12.20 £'000 | £'000 | 31.12.19 £'000 |
|---|-------|-------|-------------------|-------|-------------------|
| Income: | | | | | |
| Net capital gains | 3 | | 471 | | 635 |
| Revenue | 4 | 59 | | 57 | |
| Expenses | 5 | (64) | | (46) | |
| Net (expense)/revenue before taxation | | (5) | | 11 | |
| Taxation | 6 | – | | – | |
| Net (expense)/revenue after taxation | | | (5) | | 11 |
| Total return before distributions | | | 466 | | 646 |
| Distributions | 7 | | – | | (11) |
| Change in net assets attributable to shareholders from investment activities | | | 466 | | 635 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 December 2020

| | Note | 31.12.20 £'000 | 31.12.19 £'000 |
|--|------|-------------------|-------------------|
| Opening net assets attributable to shareholders | | 4,147 | – |
| Amounts receivable on issue of shares | | 11 | 3,501 |
| Change in net assets attributable to shareholders from investment activities | | 466 | 635 |
| Retained distributions on Accumulation shares | 7 | – | 11 |
| Closing net assets attributable to shareholders | | 4,624 | 4,147 |

The Fund launched on 1 February 2019, therefore the comparative figures are for the period from 1 February 2019 to 31 December 2019.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND
FINANCIAL STATEMENTS *continued*
BALANCE SHEET

as at 31 December 2020

| | Notes | 31.12.20 £'000 | 31.12.19 £'000 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Investments | | 4,462 | 4,055 |
| Current assets | | | |
| Debtors | 8 | 6 | 6 |
| Cash and bank balances | 9 | 172 | 100 |
| Total assets | | <u>4,640</u> | <u>4,161</u> |
| LIABILITIES | | | |
| Creditors | | | |
| Other creditors | 10 | (16) | (14) |
| Total liabilities | | <u>(16)</u> | <u>(14)</u> |
| Net assets attributable to shareholders | | <u>4,624</u> | <u>4,147</u> |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. Accounting Policies

The accounting policies described on pages 16 to 18 have been applied to the financial statements of the Fund in the current year and prior period.

2. Distribution Policies

The distribution policies on page 18 have been applied to the financial statements of the Fund in the current year and prior period.

3. Net Capital Gains

The net capital gains during the current year and prior period comprise:

| | 31.12.20 £'000 | 01.02.19 to 31.12.19 £'000 |
|---------------------------|-------------------|----------------------------------|
| Non-derivative securities | 472 | 637 |
| Transaction charges | (1) | (2) |
| Net capital gains | 471 | 635 |

4. Revenue

| | 31.12.20 £'000 | 01.02.19 to 31.12.19 £'000 |
|-----------------------------|-------------------|----------------------------------|
| Non-taxable dividends | 53 | 56 |
| Bank interest | – | 1 |
| Non-taxable stock dividends | 6 | – |
| Total revenue | 59 | 57 |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

5. Expenses

| | 31.12.20 £'000 | 01.02.19 to 31.12.19 £'000 |
|---|-------------------|----------------------------------|
| Payable to the ACD, associates of the ACD and agents of either of them: | | |
| Annual Management Charge | 33 | 21 |
| Legal and professional fees | 5 | 5 |
| Typesetting costs | 3 | 3 |
| Registration fees | 2 | 1 |
| | 43 | 30 |
| Payable to the Depositary, associates of the Depositary and agents of either of them: | | |
| Depositary's fees | 12 | 8 |
| Safe custody and other bank charges | 1 | 1 |
| | 13 | 9 |
| Other expenses: | | |
| Audit fees | 8 | 7 |
| Total expenses | <u>64</u> | <u>46</u> |

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

6. Taxation

| | 31.12.20 £'000 | 01.02.19 to 31.12.19 £'000 |
|---|-------------------|----------------------------------|
| a) Analysis of charge for the current year and prior period | | |
| Corporation tax at 20% | — | — |
| Current tax charge | — | — |
| Deferred tax – origination and reversal of timing differences (note 6c) | — | — |
| Total taxation (note 6b) | <u>—</u> | <u>—</u> |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

b) Factors affecting the tax charge for the current year and prior period

The tax assessed for the current year and prior period differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.19: 20%). The difference is explained below:

| | 31.12.20 £'000 | 01.02.19 to 31.12.19 £'000 |
|---------------------------------------|-------------------|----------------------------------|
| Net (expense)/revenue before taxation | (5) | 11 |
| Corporation tax at 20% | (1) | 2 |
| Effects of: | | |
| Non-taxable dividends | (12) | (11) |
| Unutilised excess management expenses | 13 | 9 |
| Corporation tax charge | – | – |
| Total tax charge (note 6a) | – | – |

c) Deferred tax

At the year end there is a potential deferred tax asset of £22,000 (31.12.19: £9,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current year or prior period.

7. Distributions

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

| | 31.12.20 £'000 | 01.02.19 to 31.12.19 £'000 |
|---|-------------------|----------------------------------|
| Interim | – | 2 |
| Final | – | 9 |
| Net distributions for the current year and prior period | – | 11 |

Details of the distributions per share are set out in the table on page 82.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

8. Debtors

| | 31.12.20 £'000 | 31.12.19 £'000 |
|-----------------------|-------------------|-------------------|
| Accrued revenue: | | |
| Non-taxable dividends | 6 | 6 |
| Total debtors | 6 | 6 |

9. Cash and Bank Balances

| | 31.12.20 £'000 | 31.12.19 £'000 |
|------------------------------|-------------------|-------------------|
| Bank balances | 172 | 100 |
| Total cash and bank balances | 172 | 100 |

10. Other Creditors

| | 31.12.20 £'000 | 31.12.19 £'000 |
|--|-------------------|-------------------|
| Accrued expenses: | | |
| Amounts payable to the ACD, associates of the ACD and agents of either of them: | | |
| Annual Management Charge | 4 | 3 |
| Typesetting costs | 2 | 1 |
| | 6 | 4 |
| Amounts payable to the Depositary, associates of the Depositary and agents of either of them: | | |
| Depositary's fees | 1 | 1 |
| Transaction charges | 1 | 1 |
| | 2 | 2 |
| Other expenses | 8 | 8 |
| Total other creditors | 16 | 14 |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 70. There are no outstanding amounts at the balance sheet date.

Gresham House which is a related party of the Investment Manager held 500,000 (31.12.19: 500,000) of the Fund's shares at the balance sheet date.

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

| | |
|---------------------------------|---------------------------|
| Baronsmead Second Venture Trust | 69.65% (31.12.19: 69.85%) |
|---------------------------------|---------------------------|

12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.12.19: none).

13. Shares in Issue

| | 'C' Sterling Accumulation | 'C' Sterling Income |
|--------------------------|------------------------------|------------------------|
| Annual Management Charge | 0.90% | 0.90% |
| Opening shares in issue | 3,316,995 | 250 |
| Issues | 9,750 | – |
| Redemptions | – | – |
| Closing shares in issue | <u>3,326,745</u> | <u>250</u> |

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

14. Risk Management Policies

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

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

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

(A) CREDIT RISK

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

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

(B) INTEREST RATE RISK

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

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

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

(C) FOREIGN CURRENCY RISK

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

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

(D) LEVERAGE

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

(E) LIQUIDITY RISK

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

The ACD monitors the liquidity profile of the Fund on a daily basis. In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile. In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 30 day average market volume of that company's shares. Where a risk is identified then a more in depth review is undertaken to establish its significance, by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume. Based on this analysis 100.00% (31.12.19: 94.28%) of the portfolio can be liquidated within 5 days and 100.00% (31.12.19: 94.28%) within 30 days. Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £223,000 (31.12.19: £203,000). A 5% decrease would have an equal and opposite effect.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

(G) DERIVATIVES

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

15. Portfolio Transaction Costs

| 31.12.20 | Purchases/ sales before transaction costs £'000 | Commissions £'000 | Taxes £'000 | Gross purchases/ net sales £'000 |
|--|---|----------------------|----------------|---|
| Ordinary shares | 3,688 | 6 | 10 | 3,704 |
| Purchases total | <u>3,688</u> | <u>6</u> | <u>10</u> | <u>3,704</u> |
| <i>Transaction cost % of purchases total</i> | | <i>0.16%</i> | <i>0.27%</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.16%</i> | <i>0.27%</i> | |
| Ordinary shares | 3,780 | (7) | – | 3,773 |
| Sales total | <u>3,780</u> | <u>(7)</u> | <u>–</u> | <u>3,773</u> |
| <i>Transaction cost % of sales total</i> | | <i>0.19%</i> | <i>–</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.19%</i> | <i>–</i> | |

Average portfolio dealing spread at 31.12.20 is 2.09% (31.12.19: 2.36%).

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

| 31.12.19 | Purchases/ sales before transaction costs £'000 | Commissions £'000 | Taxes £'000 | Gross purchases/ net sales £'000 |
|--|---|----------------------|----------------|---|
| Ordinary shares | 3,894 | 7 | 7 | 3,908 |
| Purchases total | <u>3,894</u> | <u>7</u> | <u>7</u> | <u>3,908</u> |
| <i>Transaction cost % of purchases total</i> | | <i>0.18%</i> | <i>0.18%</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.27%</i> | <i>0.26%</i> | |
| Ordinary shares | 491 | (1) | – | 490 |
| Sales total | <u>491</u> | <u>(1)</u> | <u>–</u> | <u>490</u> |
| <i>Transaction cost % of sales total</i> | | <i>0.19%</i> | – | |
| <i>Transaction cost % of average NAV</i> | | <i>0.03%</i> | – | |

16. Fair Value Hierarchy

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

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

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

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

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

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

17. Subsequent Events

Since the balance sheet date, the price of each of the Fund's share classes has moved as follows:

| Share class | Balance sheet date | 21.04.21 | Movement |
|---------------------------|--------------------|----------|----------|
| 'C' Sterling Income | 139.30 | 161.20 | 15.72% |
| 'C' Sterling Accumulation | 140.51 | 162.64 | 15.75% |

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 26 April 2021.

LF GRESHAM HOUSE UK SMALLER COMPANIES FUND
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE

for the year ended 31 December 2020 – in pence per share

EQUALISATION

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

| Group 2 | Interim | Final |
|----------------|----------------|--------------|
| From | 01.01.20 | 01.07.20 |
| To | 30.06.20 | 31.12.20 |

‘C’ STERLING ACCUMULATION SHARES

| Interim | Net Revenue | Equalisation | Allocated 31.08.20 | Allocated 31.08.19¹ |
|----------------|--------------------|---------------------|-------------------------------|---|
| Group 1 | – | – | – | 0.0561 |
| Group 2 | – | 0.0000 | – | 0.0561 |

| Final | Net Revenue | Equalisation | Allocation 28.02.21 | Allocated 29.02.20 |
|--------------|--------------------|---------------------|--------------------------------|-------------------------------|
| Group 1 | – | – | – | 0.2848 |
| Group 2 | – | 0.0000 | – | 0.2848 |

‘C’ STERLING INCOME SHARES

There were no distribution in the current year or prior period for ‘C’ Sterling Income shares.

¹ For the period from 1 February 2019 to 30 June 2019.

GENERAL INFORMATION

Share Capital

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

Structure of LF Gresham House Equity Funds

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

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

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

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

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

Valuation Point

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

Buying and Selling Shares

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

Prices

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

Other Information

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

GENERAL INFORMATION *continued*

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

Data Protection Act

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



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

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