

LF Gresham House UK Micro Cap Fund

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



AUTHORISED CORPORATE DIRECTOR ('ACD') AND ALTERNATIVE INVESTMENT FUND MANAGER ('AIFM')

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ACD'S REPORT

for the year ended 31 December 2020

Authorised Status

LF Gresham House UK Micro Cap Fund ('the Fund') is an investment company with variable capital incorporated in England and Wales, under registered number IC714 and authorised by the Financial Conduct Authority ('FCA') with effect from 19 February 2009. The Fund has an unlimited duration.

The Fund is a Non-UCITS retail scheme and the base currency of the Fund is pounds sterling or such other currency as may be the lawful currency of the United Kingdom from time to time.

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

The AIFM is the legal person appointed on behalf of the Fund and which (through this appointment) is responsible for managing the Fund in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013. This role is performed by the ACD and references to the ACD in this Annual Report and Financial Statements include the AIFM as applicable.

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 1 January 2020, the rate of the periodic charge that The Bank of New York Mellon (International) Limited charges as depositary changed. The new rates are as follows:

- £0 to £100 million – 0.03%;
- £100 million to £150 million – 0.0175%;
- £150 million to £1 billion – 0.01%;
- £1 billion to £2 billion – 0.005%; and
- £2 billion and above – 0.0025%.

ACD'S REPORT *continued*

Important Information *continued*

With effect from 13 April 2020, the ACD will now be able to compulsorily convert a shareholder's shares from one share class to another, this change was communicated to shareholders in a letter dated 10 July 2020.

With effect from 12 August 2020, amendments were made to the wording of the Investment Objective and Policy of the Fund, this change was communicated to shareholders in a letter dated 10 July 2020.

Investment Objective and Policy

The investment objective of the Fund is to achieve capital growth over any five year period, after all costs and charges have been taken.

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

The investment policy of the Fund is to invest directly in at least 70% of the scheme property by value in the shares of UK companies. The Portfolio Manager views UK companies to be those that are incorporated or domiciled in the UK; and listed or traded on a UK stock exchange.

The Fund will invest directly and/or indirectly at least 60% of the scheme assets by value, in a combination of UK companies that are either listed/traded on the Alternative Investment Market (AIM), or that have a market capitalisation of £250 million and below. The Fund may also invest directly and/or indirectly in shares of UK companies, which have a market capitalisation above £250 million; unlisted UK companies (limited to 10% of the scheme assets by value); non-UK companies, and corporate bonds. The Fund may also hold money market instruments, deposits and cash.

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%.

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 (such as depositary receipts) and collective investment schemes (open and closed ended). Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may use derivatives for Efficient Portfolio Management purposes.

The minimum investment amount and ranges 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, 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.

ACD'S REPORT *continued*

Benchmark

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

The Fund's performance may be compared against the IA UK Smaller Companies sector. The ACD believes that this is an appropriate comparator 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.

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 Alternative Investment Funds ('AIFs') 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 AIFs.

LFSL delegates portfolio management for the AIFs 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 AIFs, nor are they remunerated by reference to the performance of any individual AIF. Accordingly, the information below is for LFSL as a whole. No attempt has been made to attribute remuneration to the Fund 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 Fund was valued at £247 million as at that date and represented 0.32% of LFSL's total AuM and 0.66% of its AIF AuM.

ACD'S REPORT *continued*

Remuneration Policy *continued*

The disclosure below represents that required under FUND 3.3.5 R (5) and (6) for funds subject to AIFMD 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/media/gjcdba2w/lfs-explanation-of-compliance-with-remuneration-code.pdf>.

Securities Financing Transactions

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

ACD'S REPORT *continued*

Value Assessment

In accordance with current Financial Conduct Authority rules, the ACD is required to carry out an annual assessment on whether the Fund 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 UK Micro Cap Fund
31 March 2021

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 December 2020

Investment Strategy

Since inception in May of 2009 the Fund has maintained a consistent focus throughout its life on selecting high conviction, niche growth companies to back for the prospect of long term capital growth. The Manager seeks to avoid excessive cyclical exposure and early stage risk and instead focuses on areas of structural growth and segments where its sector expertise and private equity style proprietary fundamental research approach can uncover stocks that may be below the radar of many investors due to their size and limited research coverage.

Movements in Net Asset Value

As at 31 December 2020 the gross NAV of the Fund was £259.4m¹ of which 96.3% was invested in equities with a concentration on micro cap. This compared to a NAV of £238.2m¹ at the beginning of the period. The increase in NAV was a combination of net inflows from new holders amounting to £3.4m and a revaluation of the portfolio of £17.8m. The Fund delivered a return of 6.5%² over the period, compared to the IA UK Smaller Companies Sector which also returned 6.5%².

Investment Activity

Overall portfolio turnover was elevated relative to normal levels driven by the COVID-19 pandemic and the resulting impact on the economy, specific companies and heightened market volatility. Investment activity was strong during the period as £128.4m was deployed into a combination of new positions and follow on investments into existing portfolio companies; the number of portfolio companies increased from 46 to 50. Divestment activity was also active with a number of positions fully exited. In the early part of the year this was the result of rebalancing as the Manager took proactive and decisive action as the COVID-19 pandemic unfolded. Later in the year activity was more focused on realising profits from those holdings that had performed strongly through the pandemic, particularly in the healthcare and technology sectors, in order to recycle capital into those areas of consumer and services where short term impact had resulted in lagging share price performance but where long term growth opportunities remained intact. In aggregate £99.6m was received from the proceeds of divestments realising an aggregate positive return of 41.9%.

Divestments

There were a number of full exits from the portfolio during 2020. These can be described in three categories:

- Takeovers early in the year following on from the elevated trend in the prior year. These included: Nasstar (+47% return), a cloud services and infrastructure provider; and Charles Taylor (+32% return), a service and technology provider to the insurance sector.

¹ Based on 12 PM Valuation Point.

² Source: FE Analytics.

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

- COVID-19 rebalancing activity to mitigate the business risks we perceived within the portfolio during the early stages of the pandemic. This included fully exiting non-core positions such as Gama Aviation (-82% return) and Brickability (-33% return), or where the Manager believed there were potential longer term challenges to the investment case, such as Norcros (-45% return) and Volution (-27% return).
- Taking profits in strong performers, often those companies with resilient business models that had traded well through the pandemic and where the shares had outperformed where the Manager felt that valuations had become stretched or where there were better opportunities to redeploy the capital. This led to the Manager divesting Ergomed (+213% return) CentralNic (+77% return), Ideagen (+13% return) and Venture Life Group (+55% return).

There were also a number of holdings where the Manager chose to top slice in order to realise some profits from strongly performing holdings. These included Codemasters, Impax Asset Management, S4 Capital, and Knights Group.

New Investments

Market volatility combined with equity issuance both in the form of secondary fund-raising activity and new Initial Public Offerings 'IPO' created a fertile environment for new opportunities during the year. As a result and in the context of higher than average portfolio turnover, a number of new positions were started during the period.

The Manager believes it is strongly positioned amongst UK fund managers to effectively evaluate new companies being admitted to the market through an IPO due to its private equity approach and extensive private market network. The level of IPOs remained subdued during the early part of the year given the uncertain environment caused by COVID-19. However, smaller company IPO activity began to pick up during the summer and has gathered pace since then. The Fund invested in 3 new IPOs during the year: Kooth, a leading provider of digital mental health services to the NHS and corporate clients; Elixir International, a digital transformation focused specialist consultancy; and Sourcebio International, a laboratory and diagnostic services provider into the healthcare market.

The Fund participated in a number of secondary fund raising transactions for both existing portfolio companies and as a means to get liquidity to build a meaningful position in some new companies. A number of existing holdings in the "low ticket" experiential leisure segment raised new capital early in the pandemic to strengthen their balance sheets to ensure they were able to withstand the negative impact of lockdown restrictions on their operations. These included Loungers, a café bar operator; Ten Entertainment Group, a leading operator of ten-pin bowling centres; The Gym Group, a leading low cost gym operator; Everyman Media, a boutique cinema operator; and City Pub Group, a manager of independent pubs.

The Fund also backed fund raising transactions for a number of other companies including: Costain, a leading UK infrastructure focused engineering consultancy; Diaceutics, a provider of data, insight and analytics to the healthcare sector; S4 Capital, a digital marketing agency; Franchise Brands, an operator of consumer and B2B franchise networks; Angling Direct, the UK's leading multi-channel fishing tackle retailer; and Inspired Energy, an energy procurement and optimization consultancy.

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

The extreme market volatility during the year also created opportunities to buy into attractive long-term growth stories at compelling valuations through market purchases after widespread selling pressure. We started new positions in Randall & Quilter, a specialist niche insurance business; and Ricardo, an automotive and environmental consultancy. We also made a number of top ups to existing holdings including: Filta Group, Kape Technologies; Alpha Financial Markets Consulting; Mattioli Woods; and XPS Pensions Group.

Investment Performance

The Fund's price per share increased 6.5% during the year (based on 'C' Institutional Accumulation share class). This was in line with the IA UK Smaller Companies Sector which also increased by 6.5% over the same period. Pleasingly the Fund maintained its long term record of recording a positive return in every financial year since its inception in May 2009, the only UK Smaller Companies fund to do so over that period. In a period of extreme market volatility the Fund performed as the Manager expected, outperforming its sector during the market draw down during H1 2020 due to its relatively defensive positioning, and modestly underperforming the sector average during the strong market recovery, particularly during the fourth quarter where a sector and style rotation led to outperformance for certain sectors that the Fund avoids such as oil & gas, mining, "hard" industrials and banks.

The Manager's strategy of focusing on less cyclical sectors and on established profitable niche growth businesses on sensible valuations has proven to be more resilient during periods of weaker market sentiment and volatility. The Fund may underperform in a strongly rising market but overall the positioning aims to provide attractive returns through the market cycle and lower than average volatility and greater consistency.

Key contributors to absolute performance during the period were Ergomed, due to positive results and forecast upgrades; Codemasters, due to strong trading followed by a competitive takeover offer process; and S4 Capital, following several positive trading updates, contract wins and ongoing merger activity. Detractors were Norcros, following a profit downgrade as a result of the COVID-19 outbreak disrupting its Chinese supply chain; Ten Entertainment, due to the enforced closure of all their UK sites consistent with the rest of the wider leisure sector; and Inspired Energy, due to revenues being temporarily being impacted by lower energy usage within certain elements of its customer base during lockdown.

Outlook

Since its original launch in May 2009 the Fund has demonstrated an ability to deliver robust absolute and relative returns, particularly in 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. The rapidly increasing penetration of vaccinations in the UK provides cause for optimism regarding economic recovery although this remains subject to potential setbacks from slower responses overseas and

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

the possible emergence of new resistant variants. 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. The heightened level of uncertainty is likely to drive further periods of market volatility and changeable sentiment as 2021 progresses.

It will also become clearer as the year progresses which sectors and companies have been fundamentally changed by the current crisis and which businesses will improve their market position and become stronger.

Equity markets have not recovered in a uniform way with the divergence in performance between sectors at elevated levels even despite the sharp sector rotation towards the end of 2020. Company earnings guidance carries higher than normal levels of risk increasing the level of uncertainty for investors seeking to calibrate valuations. We expect these factors to drive ongoing market volatility and greater volatility in share price performance at the individual stock level. This will create challenges and uncertainties for UK equity investors during 2021.

However, we see significant opportunities for long term investors to back quality growth companies at attractive valuations in an environment where agile smaller businesses with strong management teams can take market share and build strong long-term franchises. The Manager continues to believe that over the long term its 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, niche growth businesses which the Manager believes can deliver strong returns through the market cycle regardless of the performance of the wider economy.

GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Portfolio Manager

29 January 2021

ACD'S REPORT *continued*

FUND INFORMATION

Risk and Reward Profile



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains.

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 a risk free investment.

Currency Risk: As the Fund may be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

Liquidity Risk: Smaller companies' securities are often traded less frequently than those of larger companies which means that 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.

Derivative Risk: A derivative may not perform as expected and may create losses greater than its cost.

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.

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

'A' 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 | 4,906.03 | 4,063.74 | 4,020.46 |
| Return before operating charges* | 333.74 | 884.94 | 85.80 |
| Operating charges | (45.07) | (42.65) | (42.52) |
| Return after operating charges | 288.67 | 842.29 | 43.28 |
| Distributions | – | (35.28) | (34.66) |
| Retained distributions on accumulation shares | – | 35.28 | 34.66 |
| Closing net asset value per share | 5,194.70 | 4,906.03 | 4,063.74 |
| * after direct transaction costs of: | 8.39 | 6.52 | 6.11 |

PERFORMANCE

| | | | |
|----------------------|-------|--------|-------|
| Return after charges | 5.88% | 20.73% | 1.08% |
|----------------------|-------|--------|-------|

OTHER INFORMATION

| | | | |
|---------------------------------|-----------|-----------|-----------|
| Closing net asset value (£'000) | 58,231 | 55,019 | 45,573 |
| Closing number of shares | 1,120,973 | 1,121,465 | 1,121,465 |
| Operating charges | 0.98% | 0.98% | 0.98% |
| Direct transaction costs | 0.18% | 0.15% | 0.14% |

PRICES

| | | | |
|---------------------|----------|----------|----------|
| Highest share price | 5,293.52 | 4,970.99 | 4,670.71 |
| Lowest share price | 3,324.84 | 4,105.35 | 3,990.87 |

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'B' RETAIL 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 | 182.87 | 152.76 | 152.46 |
| Return before operating charges* | 12.23 | 32.98 | 3.21 |
| Operating charges | (2.70) | (2.57) | (2.59) |
| Return after operating charges | 9.53 | 30.41 | 0.62 |
| Distributions | – | (0.30) | (0.32) |
| Closing net asset value per share | 192.40 | 182.87 | 152.76 |
| * after direct transaction costs of: | 0.31 | 0.24 | 0.23 |

PERFORMANCE

| | | | |
|----------------------|-------|--------|-------|
| Return after charges | 5.21% | 19.91% | 0.41% |
|----------------------|-------|--------|-------|

OTHER INFORMATION

| | | | |
|---------------------------------|-------|-------|-------|
| Closing net asset value (£'000) | – | – | – |
| Closing number of shares | 250 | 250 | 250 |
| Operating charges | 1.58% | 1.58% | 1.58% |
| Direct transaction costs | 0.18% | 0.15% | 0.14% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 196.06 | 185.29 | 175.94 |
| Lowest share price | 123.78 | 154.09 | 151.24 |

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'B' RETAIL 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 | 184.19 | 153.53 | 152.84 |
| Return before operating charges* | 12.43 | 33.25 | 3.29 |
| Operating charges | (2.72) | (2.59) | (2.60) |
| Return after operating charges | 9.71 | 30.66 | 0.69 |
| Distributions | – | (0.33) | (0.38) |
| Retained distributions on accumulation shares | – | 0.33 | 0.38 |
| Closing net asset value per share | 193.90 | 184.19 | 153.53 |
| * after direct transaction costs of: | 0.31 | 0.25 | 0.23 |

PERFORMANCE

| | | | |
|----------------------|-------|--------|-------|
| Return after charges | 5.27% | 19.97% | 0.45% |
|----------------------|-------|--------|-------|

OTHER INFORMATION

| | | | |
|---------------------------------|-------|-------|-------|
| Closing net asset value (£'000) | 2 | 4 | 3 |
| Closing number of shares | 812 | 2,180 | 1,968 |
| Operating charges | 1.58% | 1.58% | 1.58% |
| Direct transaction costs | 0.18% | 0.15% | 0.14% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 197.58 | 186.63 | 176.78 |
| Lowest share price | 124.66 | 154.91 | 151.62 |

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INSTITUTIONAL 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 | 182.66 | 152.47 | 152.10 |
| Return before operating charges* | 12.44 | 33.10 | 3.33 |
| Operating charges | (1.68) | (1.60) | (1.60) |
| Return after operating charges | 10.76 | 31.50 | 1.73 |
| Distributions | – | (1.31) | (1.36) |
| Closing net asset value per share | 193.42 | 182.66 | 152.47 |
| * after direct transaction costs of: | 0.31 | 0.24 | 0.23 |

PERFORMANCE

| | | | |
|----------------------|-------|--------|-------|
| Return after charges | 5.89% | 20.66% | 1.14% |
|----------------------|-------|--------|-------|

OTHER INFORMATION

| | | | |
|---------------------------------|------------|------------|------------|
| Closing net asset value (£'000) | 66,697 | 63,137 | 28,144 |
| Closing number of shares | 34,482,509 | 34,564,395 | 18,459,271 |
| Operating charges | 0.98% | 0.98% | 0.98% |
| Direct transaction costs | 0.18% | 0.15% | 0.14% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 197.10 | 185.56 | 175.78 |
| Lowest share price | 123.80 | 154.04 | 150.98 |

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INSTITUTIONAL 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 | 189.73 | 157.15 | 155.48 |
| Return before operating charges* | 12.90 | 34.23 | 3.31 |
| Operating charges | (1.74) | (1.65) | (1.64) |
| Return after operating charges | 11.16 | 32.58 | 1.67 |
| Distributions | – | (1.36) | (1.36) |
| Retained distributions on accumulation shares | – | 1.36 | 1.36 |
| Closing net asset value per share | 200.89 | 189.73 | 157.15 |
| * after direct transaction costs of: | 0.32 | 0.25 | 0.24 |

PERFORMANCE

| | | | |
|----------------------|-------|--------|-------|
| Return after charges | 5.88% | 20.73% | 1.07% |
|----------------------|-------|--------|-------|

OTHER INFORMATION

| | | | |
|---------------------------------|------------|------------|------------|
| Closing net asset value (£'000) | 129,709 | 116,293 | 66,530 |
| Closing number of shares | 64,567,330 | 61,294,758 | 42,333,792 |
| Operating charges | 0.98% | 0.98% | 0.98% |
| Direct transaction costs | 0.18% | 0.15% | 0.14% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 204.71 | 192.24 | 180.63 |
| Lowest share price | 128.58 | 158.76 | 154.34 |

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'D' INCOME SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 pence per share | 31.12.18¹ pence per share |
|---------------------------------------|------------------------------------|------------------------------------|--|
| Opening net asset value per share | 112.43 | 93.88 | 100.00 |
| Return before operating charges* | 7.66 | 20.38 | (5.88) |
| Operating charges | (0.86) | (0.83) | (0.13) |
| Return after operating charges | 6.80 | 19.55 | (6.01) |
| Distributions | (0.11) | (1.00) | (0.11) |
| Closing net asset value per share | 119.12 | 112.43 | 93.88 |
| * after direct transaction costs of: | 0.19 | 0.15 | 0.14 |

PERFORMANCE

| | | | |
|----------------------|-------|--------|---------|
| Return after charges | 6.05% | 20.82% | (6.01)% |
|----------------------|-------|--------|---------|

OTHER INFORMATION

| | | | |
|---------------------------------|--------|---------|--------------------|
| Closing net asset value (£'000) | 65 | 335 | 20,317 |
| Closing number of shares | 54,433 | 297,867 | 21,641,953 |
| Operating charges | 0.82% | 0.83% | 0.83% ² |
| Direct transaction costs | 0.18% | 0.15% | 0.14% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 121.50 | 114.29 | 101.27 |
| Lowest share price | 76.22 | 94.87 | 95.13 |

¹ From 2 November 2018.

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

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'D' ACCUMULATION SHARES

| CHANGE IN NET ASSETS PER SHARE | 31.12.20 pence per share | 31.12.19 pence per share | 31.12.18¹ pence per share |
|--|------------------------------------|------------------------------------|--|
| Opening net asset value per share | 113.69 | 94.01 | 100.00 |
| Return before operating charges* | 7.76 | 20.52 | (5.86) |
| Operating charges | (0.89) | (0.84) | (0.13) |
| Return after operating charges | 6.87 | 19.68 | (5.99) |
| Distributions | (0.12) | (1.01) | (0.12) |
| Retained distributions on accumulation shares | 0.12 | 1.01 | 0.12 |
| Closing net asset value per share | 120.56 | 113.69 | 94.01 |
| * after direct transaction costs of: | 0.19 | 0.15 | 0.14 |

PERFORMANCE

| | | | |
|----------------------|-------|--------|---------|
| Return after charges | 6.04% | 20.93% | (5.99)% |
|----------------------|-------|--------|---------|

OTHER INFORMATION

| | | | |
|---------------------------------|--------|--------|--------------------|
| Closing net asset value (£'000) | 83 | 79 | – |
| Closing number of shares | 69,204 | 69,204 | 250 |
| Operating charges | 0.83% | 0.83% | 0.83% ² |
| Direct transaction costs | 0.18% | 0.15% | 0.14% |

PRICES

| | | | |
|---------------------|--------|--------|--------|
| Highest share price | 122.86 | 115.20 | 101.27 |
| Lowest share price | 77.08 | 95.02 | 95.14 |

¹ From 2 November 2018.

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

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 December 2020 (%)

| | 1 year | 3 years | 5 years |
|------------------------------------|--------|---------|---------|
| LF Gresham House UK Micro Cap Fund | 6.49 | 30.07 | 73.25 |

The performance of the Fund is based on the published price per 'C' Institutional 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 49 to 51.

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.

ACD'S REPORT *continued*
PORTFOLIO STATEMENT
as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|------------|---|----------------|---------------|
| | UNITED KINGDOM – 93.11% (31.12.19 – 85.18%) | | |
| | BASIC MATERIALS – 0.37% (31.12.19 – 0.00%) | | |
| | CHEMICALS – 0.37% (31.12.19 – 0.00%) | | |
| 258,419 | Zotefoams ¹ | 943 | 0.37 |
| | TOTAL BASIC MATERIALS | <u>943</u> | <u>0.37</u> |
| | INDUSTRIALS – 26.71% (31.12.19 – 22.46%) | | |
| | ELECTRONIC & ELECTRICAL EQUIPMENT – 0.04% (31.12.19 – 0.00%) | | |
| 375,000 | OTAQ ¹ | <u>97</u> | <u>0.04</u> |
| | CONSTRUCTION & MATERIALS – 3.40% (31.12.19 – 2.67%) | | |
| 15,018,286 | Costain ¹ | <u>8,666</u> | <u>3.40</u> |
| | INDUSTRIAL TRANSPORTATION – 0.00% (31.12.19 – 0.51%) | <u>–</u> | <u>–</u> |
| | SUPPORT SERVICES – 23.27% (31.12.19 – 19.28%) | | |
| 3,559,731 | Alpha Financial Markets Consulting | 7,974 | 3.13 |
| 4,333,333 | Anexo | 5,417 | 2.13 |
| 5,485,208 | Driver | 2,742 | 1.08 |
| 1,867,206 | Elixirr International | 6,199 | 2.43 |
| 4,778,000 | Filta | 4,396 | 1.73 |
| 62,509,591 | Inspired Energy | 8,439 | 3.31 |
| 1,793,781 | Knights | 6,924 | 2.72 |
| 1,840,966 | Ricardo ¹ | 6,296 | 2.47 |
| 4,327,533 | Simplybiz | 7,703 | 3.02 |
| 7,343,361 | Staffline | <u>3,191</u> | <u>1.25</u> |
| | TOTAL INDUSTRIALS | <u>59,281</u> | <u>23.27</u> |
| | | <u>68,044</u> | <u>26.71</u> |

ACD'S REPORT *continued*
PORTFOLIO STATEMENT *continued*
as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|------------|---|----------------|---------------|
| | CONSUMER GOODS – 3.16% (31.12.19 – 1.72%) | | |
| | FOOD PRODUCERS – 0.00% (31.12.19 – 1.72%) | – | – |
| | HOUSEHOLD GOODS & HOME CONSTRUCTION – 1.83% (31.12.19 – 0.00%) | | |
| 7,535,653 | Accrol | 4,672 | 1.83 |
| 237,782 | Mar City ² | – | – |
| | | 4,672 | 1.83 |
| | PERSONAL GOODS – 1.33% (31.12.19 – 0.00%) | | |
| 762,142 | Inspeccs | 2,439 | 0.96 |
| 818,352 | Ted Baker ¹ | 935 | 0.37 |
| | | 3,374 | 1.33 |
| | TOTAL CONSUMER GOODS | 8,046 | 3.16 |
| | CONSUMER SERVICES – 17.96% (31.12.19 – 16.77%) | | |
| | GENERAL RETAILERS – 5.37% (31.12.19 – 3.02%) | | |
| 11,929,204 | Angling Direct | 8,470 | 3.33 |
| 5,479,878 | Franchise Brands | 5,206 | 2.04 |
| | | 13,676 | 5.37 |
| | MEDIA – 1.46% (31.12.19 – 2.64%) | | |
| 13,333,333 | Hawkwing ¹ | 466 | 0.18 |
| 655,447 | S4 Capital ¹ | 3,271 | 1.28 |
| | | 3,737 | 1.46 |
| | TRAVEL & LEISURE – 11.13% (31.12.19 – 11.11%) | | |
| 5,442,139 | City Pub | 4,626 | 1.82 |
| 1,522,400 | Everyman Media | 1,614 | 0.63 |
| 4,040,710 | Loungers | 8,728 | 3.42 |

ACD'S REPORT *continued*
PORTFOLIO STATEMENT *continued*
as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|------------|---|----------------|---------------|
| 12,403,485 | Tasty | 372 | 0.15 |
| 2,969,211 | TEN Entertainment ¹ | 5,805 | 2.28 |
| 3,337,180 | The Gym ¹ | 7,208 | 2.83 |
| | | <u>28,353</u> | <u>11.13</u> |
| | TOTAL CONSUMER SERVICES | <u>45,766</u> | <u>17.96</u> |
| | TELECOMMUNICATIONS – 1.84% (31.12.19 – 1.09%) | | |
| | MOBILE TELECOMMUNICATIONS – 1.84% (31.12.19 – 1.09%) | | |
| 5,203,644 | Bigblu Broadband | 4,683 | 1.84 |
| | TOTAL TELECOMMUNICATIONS | <u>4,683</u> | <u>1.84</u> |
| | FINANCIALS – 19.81% (31.12.19 – 20.93%) | | |
| | FINANCIAL SERVICES – 19.81% (31.12.19 – 20.81% ³) | | |
| 5,459,555 | Argentex | 7,643 | 3.00 |
| 848,605 | Impax Asset Management | 5,923 | 2.33 |
| 6,250,000 | Frenkel Topping | 2,500 | 0.98 |
| 1,398,447 | Mattioli Woods | 10,488 | 4.12 |
| 932,482 | Mortgage Advice Bureau | 7,758 | 3.05 |
| 2,539,651 | Orchard Funding | 1,397 | 0.55 |
| 1,641,953 | Tatton Asset Management | 4,368 | 1.71 |
| 8,013,500 | XPS Pensions ¹ | 10,378 | 4.07 |
| | | <u>50,455</u> | <u>19.81</u> |
| | EQUITY INVESTMENT INSTRUMENTS – 0.00% (31.12.19 – 0.00% ³) | <u>–</u> | <u>–</u> |
| | NON EQUITY INVESTMENT INSTRUMENTS – 0.00% (31.12.19 – 0.12%) | <u>–</u> | <u>–</u> |
| | TOTAL FINANCIALS | <u>50,455</u> | <u>19.81</u> |

ACD'S REPORT *continued*
PORTFOLIO STATEMENT *continued*
as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|------------|--|----------------|---------------|
| | HEALTH CARE – 3.69% (31.12.19 – 5.43%) | | |
| | HEALTH CARE EQUIPMENT & SERVICES – 0.84% (31.12.19 – 0.90%) | | |
| 1,254,938 | SourceBio International | 2,158 | 0.84 |
| | PHARMACEUTICALS & BIOTECHNOLOGY – 2.85% (31.12.19 – 4.53%) | | |
| 5,495,500 | Diaceutics | 7,254 | 2.85 |
| | TOTAL HEALTH CARE | 9,412 | 3.69 |
| | TECHNOLOGY – 19.57% (31.12.19 – 16.78%) | | |
| | SOFTWARE & COMPUTER SERVICES – 19.57% (31.12.19 – 16.78%) | | |
| 3,062,500 | Access Intelligence | 2,664 | 1.04 |
| 898,276 | Accesso Technology | 4,222 | 1.66 |
| 615,819 | Codemasters | 4,003 | 1.57 |
| 2,271,930 | GetBusy | 1,749 | 0.69 |
| 1,170,980 | Instem | 5,621 | 2.21 |
| 5,506,382 | Kape Technologies | 10,187 | 4.00 |
| 2,380,000 | Kooth | 5,831 | 2.29 |
| 10,873,793 | Netcall | 5,328 | 2.09 |
| 4,353,707 | Oxford Metrics | 4,005 | 1.57 |
| 43,000,000 | Roslyn Data Technologies | 2,688 | 1.05 |
| 9,395,863 | SysGroup | 3,570 | 1.40 |
| | TOTAL TECHNOLOGY | 49,868 | 19.57 |
| | TOTAL UNITED KINGDOM | 237,217 | 93.11 |
| | BERMUDA – 3.12% (31.12.19 – 0.00%) | | |
| 4,627,772 | Randall & Quilter Investment | 7,960 | 3.12 |

ACD'S REPORT *continued*
PORTFOLIO STATEMENT *continued*
as at 31 December 2020

| Holding | Portfolio of Investments | Value £'000 | 31.12.20 % |
|----------------|---------------------------------|------------------------|-----------------------|
| | Portfolio of investments | 245,177 | 96.23 |
| | Net other assets | 9,610 | 3.77 |
| | Net assets | <u>254,787</u> | <u>100.00</u> |

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are ordinary shares quoted on the Alternative Investment Market (AIM) unless stated otherwise.

¹ Listed on a regulated market.

² Delisted security.

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

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2020

| Total purchases for the year £'000 (note 15) | 128,814 | Total sales for the year £'000 (note 15) | 100,064 |
|--|-----------------------|--|---------------------------|
| Major purchases | Cost £'000 | Major sales | Proceeds £'000 |
| Costain | 8,869 | Ergomed | 16,218 |
| Simplybiz | 7,005 | S4 Capital | 10,556 |
| Randall & Quilter Investment | 6,941 | Impax Asset Management | 8,483 |
| Ricardo | 6,376 | Codemasters | 7,715 |
| Anexo | 6,260 | CentralNic | 6,562 |
| Instem | 5,096 | Charles Taylor Consulting | 5,943 |
| Diaceutics | 5,000 | Restore | 4,717 |
| Kooth | 4,836 | JTC | 4,351 |
| Kape Technologies | 4,211 | Venture Life | 4,084 |
| Elixir International | 4,122 | Nasstar | 4,075 |

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

DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook and the Investment Funds Sourcebook, as applicable, as issued and amended by the Financial Conduct Authority together with the relevant provisions of the Alternative Investment Fund Manager's Directive and modified by a direction given by the Financial Conduct Authority where the ACD has opted to provide a NURS KII Document, a Key Investor Information Document for Non-UCITS Retail Schemes.

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Micro Cap Fund

31 March 2021

STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority ('the COLL Sourcebook') and the Investment Funds Sourcebook (the 'FUND Sourcebook'), as applicable, 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 Fund and of the net revenue/expense and net capital gains/losses on the property of the Fund 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 Fund's 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 Fund 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 Fund in accordance with its Instrument of Incorporation, the Prospectus, the COLL and FUND Sourcebook.

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook and, from 22 July 2014, the Investment Funds 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 Fund's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as summarised below.

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

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

The Depositary must ensure that:

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

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

REPORT OF THE DEPOSITARY

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

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

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Depositary of LF Gresham House UK Micro Cap Fund

31 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND')

Opinion

We have audited the financial statements of the Fund for the year ended 31 December 2020 which comprise the *Statement of Total Return*, the *Statement of Change in Net Assets Attributable to Shareholders*, the *Balance Sheet*, the *Related Notes and Distribution Table* and the accounting policies set out on pages 36 and 37.

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 the Fund as at 31 December 2020 and of the net deficit of revenue and the net capital gains on the property of the Fund 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 Fund 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 ACD has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease their operations, and as they have concluded that the Fund's 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 ACD's conclusions, we considered the inherent risks to the Fund's business model and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND') *continued*

Our conclusions based on this work:

- we consider that the ACD'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 ACD's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's 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 Fund 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 Fund'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 portfolio 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 UK MICRO CAP FUND ('THE FUND') *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 Fund 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 Fund 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 Fund'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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND') *continued*

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

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the ACD'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 Fund 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 27 the ACD 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund 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 UK MICRO CAP FUND ('THE FUND') *continued*

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

This report is made solely to the Fund'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 Fund'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 Fund and the Fund'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
31 March 2021

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 | | 16,111 | | 34,067 |
| Revenue | 4 | 2,269 | | 3,078 | |
| Expenses | 5 | (2,326) | | (1,702) | |
| Net (expense)/revenue before taxation | | (57) | | 1,376 | |
| Taxation | 6 | – | | – | |
| Net (expense)/revenue after taxation | | | (57) | | 1,376 |
| Total return before distributions | | | 16,054 | | 35,443 |
| Distributions | 7 | | (3) | | (1,376) |
| Change in net assets attributable to shareholders from investment activities | | | 16,051 | | 34,067 |

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 | | | 234,867 | | 160,567 |
| Amounts receivable on issue of shares | | 86,089 | | 76,991 | |
| Amounts payable on redemption of shares | | (82,726) | | (38,271) | |
| | | | 3,363 | | 38,720 |
| Dilution levy | 1(H) | | 506 | | 384 |
| Change in net assets attributable to shareholders from investment activities | | | 16,051 | | 34,067 |
| Retained distributions on Accumulation shares | | | – | | 1,129 |
| Closing net assets attributable to shareholders | | | 254,787 | | 234,867 |

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 December 2020

| | Notes | 31.12.20 £'000 | 31.12.19 £'000 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Investments | | 245,177 | 200,060 |
| Current assets | | | |
| Debtors | 8 | 891 | 3,660 |
| Cash and cash equivalents | 9 | 11,537 | 31,701 |
| Total assets | | <u>257,605</u> | <u>235,421</u> |
| LIABILITIES | | | |
| Creditors | | | |
| Distribution payable | 10 | – | (164) |
| Other creditors | 10 | (2,818) | (390) |
| Total liabilities | | <u>(2,818)</u> | <u>(554)</u> |
| Net assets attributable to shareholders | | <u>254,787</u> | <u>234,867</u> |

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. Accounting Policies

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

(A) BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with 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 the Fund's ability to continue as a going concern, and is satisfied it has 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 the Fund's continued ability to meet ongoing costs, and is satisfied it has 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.

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

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 against revenue.

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

Any revenue or expense not directly attributable to a particular share class will normally be allocated pro-rata to the net assets of the relevant share classes 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.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

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.

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 Fund 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.

(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 is in continual decline; on the 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 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) PORTFOLIO 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. 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.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

2. Distribution Policies

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

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

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

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

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

3. Net Capital Gains

The net capital gains during the year comprise:

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---------------------------|-------------------|-------------------|
| Non-derivative securities | 16,114 | 34,068 |
| Transaction charges | (3) | (1) |
| Net capital gains | <u>16,111</u> | <u>34,067</u> |

The net capital gains figure includes realised gains of £29,437,000 and unrealised gains of £26,510,000 (31.12.19: includes realised gains of £7,802,000 and unrealised gains of £39,833,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

4. Revenue

| | 31.12.20 £'000 | 31.12.19 £'000 |
|-----------------------------|-------------------|-------------------|
| Non-taxable dividends | 1,980 | 3,017 |
| Bank interest | 31 | 61 |
| Non-taxable stock dividends | 258 | – |
| Total revenue | <u>2,269</u> | <u>3,078</u> |

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 | 2,146 | 1,560 |
| Legal and professional fees | 16 | 16 |
| Typesetting costs | 1 | 1 |
| Registration fees | 91 | 59 |
| | 2,254 | 1,636 |
| Payable to the Depositary, associates of the Depositary and agents of either of them: | | |
| Depositary's fees | 57 | 50 |
| Safe custody and other bank charges | 7 | 8 |
| | 64 | 58 |
| Other expenses: | | |
| Audit fees | 8 | 8 |
| Total expenses | <u>2,326</u> | <u>1,702</u> |

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

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

6. Taxation

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

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 (expense)/revenue before taxation | (57) | 1,376 |
| Corporation tax at 20% | (11) | 275 |
| Effects of: | | |
| Non-taxable dividends | (448) | (603) |
| Unutilised excess management expenses | 459 | 328 |
| Corporation tax charge | — | — |
| Total tax charge (note 6a) | — | — |

c) Deferred tax

At the year end there is a potential deferred tax asset of £1,781,000 (31.12.19: £1,322,000) 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.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

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 |
|---|-------------------|-------------------|
| Interim | – | 884 |
| Final | – | 609 |
| | – | 1,493 |
| Add: Revenue deducted on redemption of shares | 4 | 23 |
| Deduct: Revenue received on issue of shares | (1) | (140) |
| Net distributions for the year | 3 | 1,376 |

Details of the distributions per share are set out in the table on pages 49 to 51.

| | 31.12.20 £'000 | 31.12.19 £'000 |
|--------------------------------------|-------------------|-------------------|
| Distributions represented by: | | |
| Net (expense)/revenue after taxation | (57) | 1,376 |
| Allocations to capital: | | |
| Revenue deficit – 'A' Accumulation | 19 | – |
| – 'C' Institutional Income | 12 | – |
| – 'C' Institutional Accumulation | 29 | – |
| Net distributions for the year | 3 | 1,376 |

8. Debtors

| | 31.12.20 £'000 | 31.12.19 £'000 |
|--|-------------------|-------------------|
| Amounts receivable for issue of shares | 313 | 2,056 |
| Sales awaiting settlement | 462 | 1,385 |
| Accrued revenue: | | |
| Non-taxable dividends | 106 | 210 |

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

| | 31.12.20 £'000 | 31.12.19 £'000 |
|--------------------------|-------------------|-------------------|
| Taxation recoverable: | | |
| Overseas withholding tax | 10 | 9 |
| Total debtors | 891 | 3,660 |

9. Cash and Cash Equivalents

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---------------------------------|-------------------|-------------------|
| Bank balances | 11,537 | 31,701 |
| Total cash and cash equivalents | 11,537 | 31,701 |

10. Creditors

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---|-------------------|-------------------|
| Distribution payable | – | 164 |
| Other Creditors | | |
| Amounts payable for redemption of shares | 1,936 | 106 |
| Purchases awaiting settlement | 657 | 99 |
| Accrued expenses: | | |
| Amounts payable to the ACD, associates of the ACD and agents of either of them: | | |
| Annual Management Charge | 199 | 163 |
| Typesetting costs | 1 | 1 |
| Registration fees | 9 | 6 |
| | 209 | 170 |

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

| | 31.12.20 £'000 | 31.12.19 £'000 |
|---|-------------------|-------------------|
| Amounts payable to the Depositary, associates of the Depositary and agents of either of them: | | |
| Depositary's fees | 5 | 4 |
| Safe custody and other bank charges | 2 | 2 |
| | 7 | 6 |
| Other expenses | 9 | 9 |
| Total other creditors | <u>2,818</u> | <u>390</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 34 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 562 (31.12.19: 212) 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, no shareholder held in excess of 20% of the shares in issue of the Fund.

12. Contingent Liabilities and Commitments

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

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

13. Shares in Issue

| | 'A' Accumulation | 'B' Retail Income | 'B' Retail Accumulation | 'C' Institutional Income |
|--------------------------|---------------------|----------------------|----------------------------|-----------------------------|
| Annual Management Charge | 0.90% | 1.50% | 1.50% | 0.90% |
| Opening shares in issue | 1,121,465 | 250 | 2,180 | 34,564,395 |
| Issues | – | – | 350 | 11,349,981 |
| Redemptions | (492) | – | (1,718) | (11,451,676) |
| Conversions | – | – | – | 19,809 |
| Closing shares in issue | <u>1,120,973</u> | <u>250</u> | <u>812</u> | <u>34,482,509</u> |

| | 'C' Institutional Accumulation | 'D' Income | 'D' Accumulation |
|--------------------------|-----------------------------------|---------------|---------------------|
| Annual Management Charge | 0.90% | 0.75% | 0.75% |
| Opening shares in issue | 61,294,758 | 297,867 | 69,204 |
| Issues | 38,423,256 | 9,650 | – |
| Redemptions | (35,131,611) | (253,084) | – |
| Conversions | (19,073) | – | – |
| Closing shares in issue | <u>64,567,330</u> | <u>54,433</u> | <u>69,204</u> |

14. Risk Management Policies

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

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

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the Fund. The ACD requires that the appointed Portfolio 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.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

(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 Portfolio 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 significant exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

(C) FOREIGN CURRENCY RISK

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

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

(D) LEVERAGE

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31 December 2020, leverage under the gross method was 0.96:1 and leverage under the commitment method was 1:1 (31.12.19: 0.85:1 and 1:1 respectively).

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

(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 6.89% (31.12.19: 14.71%) of the portfolio can be liquidated within 5 days and 23.66% (31.12.19: 63.54%) 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 £12,259,000 (31.12.19: £10,003,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

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

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

15. Portfolio Transaction Costs

| 31.12.20 | Purchases/ sales before transaction costs £'000 | Commissions £'000 | Taxes £'000 | Gross purchases/ net sales £'000 |
|--|---|----------------------|----------------|---|
| Ordinary shares | 128,559 | 152 | 103 | 128,814 |
| Purchases total | <u>128,559</u> | <u>152</u> | <u>103</u> | <u>128,814</u> |
| <i>Transaction cost % of purchases total</i> | | <i>0.12%</i> | <i>0.08%</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.06%</i> | <i>0.04%</i> | |
| Ordinary shares | 100,244 | (180) | – | 100,064 |
| Sales total | <u>100,244</u> | <u>(180)</u> | <u>–</u> | <u>100,064</u> |
| <i>Transaction cost % of sales total</i> | | <i>0.18%</i> | <i>–</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.08%</i> | <i>–</i> | |

Average portfolio dealing spread at 31.12.20 is 4.13% (31.12.19: 3.37%).

| 31.12.19 | Purchases/ sales before transaction costs £'000 | Commissions £'000 | Taxes £'000 | Gross purchases/ net sales £'000 |
|--|---|----------------------|----------------|---|
| Ordinary shares | 67,737 | 93 | 66 | 67,896 |
| Purchases total | <u>67,737</u> | <u>93</u> | <u>66</u> | <u>67,896</u> |
| <i>Transaction cost % of purchases total</i> | | <i>0.14%</i> | <i>0.10%</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.05%</i> | <i>0.04%</i> | |
| Ordinary shares | 50,519 | (101) | – | 50,418 |
| Sales total | <u>50,519</u> | <u>(101)</u> | <u>–</u> | <u>50,418</u> |
| <i>Transaction cost % of sales total</i> | | <i>0.20%</i> | <i>–</i> | |
| <i>Transaction cost % of average NAV</i> | | <i>0.06%</i> | <i>–</i> | |

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

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 | 245,177 | – | – | 245,177 |

| 31.12.19 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Investment assets | 200,060 | – | – | 200,060 |

17. Subsequent Events

As at 25 March 2021, the price of each of the Fund's share classes, compared to that at the balance sheet date, have moved as follows:

| Share class | Balance sheet date | 25.03.21 | Movement |
|--------------------------------|-----------------------|----------|----------|
| 'A' Accumulation | 5,293.52 | 5,990.86 | 13.17% |
| 'B' Retail Income | 196.06 | 221.65 | 13.05% |
| 'B' Retail Accumulation | 197.58 | 223.32 | 13.03% |
| 'C' Institutional Income | 197.10 | 223.07 | 13.18% |
| 'C' Institutional Accumulation | 204.71 | 231.68 | 13.17% |
| 'D' Income | 121.50 | 137.43 | 13.11% |
| 'D' Accumulation | 122.86 | 139.09 | 13.21% |

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 31 March 2021.

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. Where it is elected to carry forward the distribution at the interim allocation dates, the final distribution is deemed to run for the whole year.

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

'A' ACCUMULATION SHARES

| Interim | Net Revenue | Equalisation | Allocated 31.08.20 | Allocated 31.08.19 |
|---------|-------------|--------------|-----------------------|-----------------------|
| Group 1 | – | – | – | 22.4799 |
| Group 2 | – | 0.0000 | – | 22.4799 |

| Final | Net Revenue | Equalisation | Allocation 30.04.21 | Allocated 30.04.20 |
|---------|-------------|--------------|------------------------|-----------------------|
| Group 1 | – | – | – | 12.8005 |
| Group 2 | – | 0.0000 | – | 12.8005 |

'B' RETAIL INCOME SHARES

| Interim | Net Revenue | Equalisation | Paid 31.08.20 | Paid 31.08.19 |
|---------|-------------|--------------|------------------|------------------|
| Group 1 | – | – | – | 0.2960 |
| Group 2 | – | 0.0000 | – | 0.2960 |

'B' RETAIL ACCUMULATION SHARES

| Interim | Net Revenue | Equalisation | Allocated 31.08.20 | Allocated 31.08.19 |
|---------|-------------|--------------|-----------------------|-----------------------|
| Group 1 | – | – | – | 0.3307 |
| Group 2 | – | 0.0000 | – | 0.3307 |

There was no final distribution for the 'B' Retail Income and 'B' Retail Accumulation classes in the current and prior year.

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'C' INSTITUTIONAL INCOME SHARES

| Interim | Net Revenue | Equalisation | Paid 31.08.20 | Paid 31.08.19 |
|----------------|--------------------|---------------------|-----------------------------|--------------------------|
| Group 1 | – | – | – | 0.8433 |
| Group 2 | – | 0.0000 | – | 0.8433 |
| Final | Net Revenue | Equalisation | Payable 30.04.21 | Paid 30.04.20 |
| Group 1 | – | – | – | 0.4699 |
| Group 2 | – | 0.0000 | – | 0.4699 |

'C' INSTITUTIONAL ACCUMULATION SHARES

| Interim | Net Revenue | Equalisation | Allocated 31.08.20 | Allocated 31.08.19 |
|----------------|--------------------|---------------------|--------------------------------|-------------------------------|
| Group 1 | – | – | – | 0.8693 |
| Group 2 | – | 0.0000 | – | 0.8693 |
| Final | Net Revenue | Equalisation | Allocation 30.04.21 | Allocated 30.04.20 |
| Group 1 | – | – | – | 0.4911 |
| Group 2 | – | 0.0000 | – | 0.4911 |

'D' INCOME SHARES

| Interim | Net Revenue | Equalisation | Paid 31.08.20 | Paid 31.08.19 |
|----------------|--------------------|---------------------|-----------------------------|--------------------------|
| Group 1 | – | – | – | 0.6353 |
| Group 2 | – | 0.0000 | – | 0.6353 |
| Final | Net Revenue | Equalisation | Payable 30.04.21 | Paid 30.04.20 |
| Group 1 | 0.1126 | – | 0.1126 | 0.3638 |
| Group 2 | 0.1126 | 0.0000 | 0.1126 | 0.3638 |

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'D' ACCUMULATION SHARES

| Interim | Net Revenue | Equalisation | Allocated 31.08.20 | Allocated 31.08.19 |
|----------------|--------------------|---------------------|--------------------------------|-------------------------------|
| Group 1 | – | – | – | 0.6317 |
| Group 2 | – | 0.0000 | – | 0.6317 |
| Final | Net Revenue | Equalisation | Allocation 30.04.21 | Allocated 30.04.20 |
| Group 1 | 0.1218 | – | 0.1218 | 0.3739 |
| Group 2 | 0.1218 | 0.0000 | 0.1218 | 0.3739 |

GENERAL INFORMATION

Share Capital

The minimum share capital of the Fund is £1,000,000 and the maximum share capital is £500,000,000.

Valuation Point

The current valuation point of the Fund is at 12.00 noon (London time) on each business day. Valuations may be made at other times with the Depositary's approval.

Buying and Selling Shares

The ACD will accept orders to buy or sell 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 ACD's website: 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.

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

Data Protection Act

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



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