

VT DOWNING INVESTMENT FUNDS ICVC
(Sub-fund VT Downing Small & Mid-Cap Income Fund)

Annual Report and Financial Statements
For the year ended 31 March 2023

CONTENTS PAGE

	Page
Company Overview	1
Statement of the Authorised Fund Manager's (AFM's) Responsibilities	2
Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of VT Downing Investment Funds ICVC	3
Independent Auditor's Report to the Shareholders of VT Downing Investment Funds ICVC (Sub-fund VT Downing Small & Mid-Cap Income Fund)	4
VT Downing Small & Mid-Cap Income Fund	
Sub-fund Overview	7
Investment Manager's review	9
Performance Record	11
Portfolio Statement	13
Summary of Material Portfolio Changes	15
Statement of Total Return	17
Statement of Changes in Net Assets Attributable to Shareholders	17
Balance Sheet	18
Notes to the Financial Statements	19
Distribution Tables	26
Information for Investors	28
Corporate Directory	30

COMPANY OVERVIEW

Type of Company: VT Downing Investment Funds ICVC is an investment company with variable capital incorporated in England and Wales under registered number IC000824, with Product Reference Number 521374, and authorised by the Financial Conduct Authority with effect from 04 June 2010. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the shares.

STATEMENT OF THE AUTHORISED FUND MANAGER'S (AFM's) RESPONSIBILITIES

The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Fund Manager to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company at the end of the financial year and its net revenue and net capital losses for the year. In preparing these financial statements the Authorised Fund Manager is required to:

- > comply with the Prospectus, the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements.
- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The Authorised Fund Manager is required to keep proper accounting records and to manage the Company in accordance with the COLL regulations, the Instrument of Incorporation, and the Prospectus. The Authorised Fund Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTOR'S STATEMENT

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Scheme's Sourcebook, we hereby certify the annual report.

David Fraser FCCA

David E Smith CA

Valu-Trac Investment Management Limited
Authorised Fund Manager

Date: 17 July 2023

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS OF VT DOWNING INVESTMENT FUNDS ICVC

For the year ended 31 March 2023

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

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

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

The Depositary must ensure that:

- > the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
 - > the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
 - > the value of shares in the Company is calculated in accordance with the Regulations;
 - > any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
 - > the Company's income is applied in accordance with the Regulations; and
 - > the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).
- The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

NatWest Trustee and Depositary Services Limited
01 April 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VT DOWNING INVESTMENT FUNDS ICVC (SUB-FUND VT DOWNING SMALL & MID-CAP INCOME FUND)

Opinion

We have audited the financial statements of VT Downing Investment Funds ICVC ("the Company") for the year ended 31 March 2023 which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet, the related Notes to the Financial Statements, including significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- > give a true and fair view of the financial position of the Company at 31 March 2023 and of the net revenue and the net capital losses on the scheme property of the Company for the year then ended; and
- > have been properly prepared in accordance with the IA Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are described further in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Authorised Fund Manager is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on Other Matters Prescribed by the COLL Regulations

In our opinion, based on the work undertaken in the course of the audit:

- > Proper accounting records for the Company have been kept and the accounts are in agreement with those records;
- > We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- > The information given in the report of the Authorised Fund Manager for the year is consistent with the financial statements.

Responsibilities of the Authorised Fund Manager

As explained more fully in the Authorised Fund Manager's Responsibilities Statement set out on page 2, the Authorised Fund Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Authorised Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Extent to which the audit is considered capable of detecting irregularities, including fraud

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

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- > UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 and the IA Statement of Recommended Practice for Authorised Funds
- > the Financial Conduct Authority's Collective Investment Schemes Sourcebook
- > the Company's Prospectus

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of the Authorised Fund Manager. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and the Company's breaches register.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how the Authorised Fund Manager was remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how the Authorised Fund Manager oversees the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- > management override of controls;
- > the completeness and classification of special dividends between revenue and capital; and
- > the valuation of material level 3 investments;

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- > Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Authorised Fund Manager in its calculation of accounting estimates for potential management bias;
- > Using a third-party independent data source to assess the completeness of the special dividend population and determining whether special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments;
- > Testing how management made the estimate of material level 3 investments, evaluating the methodology adopted and assessing the suitability of data and significant assumptions by reference to supporting evidence;
- > Assessing the Company's compliance with the key requirements of the Collective Investment Schemes Sourcebook and its Prospectus;
- > Completion of appropriate checklists and use of our experience to assess the Company's compliance with the IA Statement of Recommended Practice for Authorised Funds; and
- > Agreement of the financial statement disclosures to supporting documentation.

Use of Our Report

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

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Elgin

Date 18 July 2023

SUB-FUND OVERVIEW

Name of Sub-fund	VT Downing Small & Mid-Cap Income Fund
Size of Sub-fund	£42,042,156
Sub-fund objective and policy	<p>The investment objective of the Sub-fund is to achieve a quarterly income, together with capital growth over the long term (5 years).</p> <p>The Sub-fund aims to meet its objective by investing at least 80% in shares of small (those with a market capitalisation of less than £1 billion) and medium sized (those with a market capitalisation of less than £5 billion) companies which are domiciled in, have their head office located in, or (which if not established in the UK) exercise the significant part of their business in the UK and which the Manager considers to have the ability to increase returns over time.</p> <p>The Sub-fund may also invest in other transferable securities (for example, without limitation, of non-small and medium sized companies and/or international equities) (including investment trusts), collective investment schemes, money market instruments, deposits, cash and near cash.</p> <p>The Sub-fund is actively managed.</p> <p>No more than 10% of the Scheme Property of the Sub-fund will be invested in other collective investment schemes (although such collective investment schemes could include those managed and/or operated by the AFM or Investment Manager).</p> <p>The Sub-fund will not have any particular industry or economic sector focus and as such weightings in these may vary as required.</p>
Use of derivatives	<p>Derivatives may be used for the purposes of efficient portfolio management. The use of derivatives for efficient portfolio management will generally not increase the risk profile of the Sub-fund.</p>
ESG:	<p>The Manager considers environmental, social and governance ("ESG") factors in determining whether a company or government is an appropriate investment for the Sub-fund at the time of purchase. The Manager's ESG guidelines are reviewed and applied on an ongoing basis by the Manager. However, the Manager has full discretion to invest in companies, regardless of any ESG considerations. Where an investment has ceased to be suitable (for example, due to a change or deterioration in its ESG characteristics in the opinion of the Manager), the Sub-fund may continue to hold such investment until such time it is possible and practicable in the Manager's view to liquidate the position in the interests of investors. The Manager's ESG criteria may change over time.</p> <p>As part of the investment process, the Manager considers ESG factors. The Manager conducts extensive analysis for each company against ESG components such as carbon emissions, water use, board composition, audit practises and executive remuneration, as well as examining a company's impact on consumers, employees and the wider society. The Manager utilises ESG research provided by Sustainalytics or for those companies with no Sustainalytics rating the Manager conducts their own research based on a proprietary questionnaire. The Managers Responsible Investment Policy is available to view at https://www.downing.co.uk/responsible-investing.</p>

SUB-FUND OVERVIEW (Continued)

Performance assessment

Many funds sold in the UK are grouped into sectors by the Investment Association (the "IA") (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

The Sub-fund is not managed to or constrained by a benchmark. The AFM does, however, assess the performance of the Sub-fund against the IA UK Equity Income Sector, which includes a selection of funds which have broadly similar characteristics, particularly in terms of investment objective and time horizons.

Some independent data providers prepare and publish performance data on the funds in this sector and investors can use this to assess the Sub-fund's performance. This information can be found on the IA website or Morningstar website.

Authorised Fund Manager (AFM)

Valu-Trac Investment Management Limited

Ex-distribution dates

31 March (annual), 30 June, 30 September and 31 December

Distribution dates

31 May (annual), 31 August, 30 November and the last day of February (interim)

Individual Savings Account (ISA)

The Sub-fund is a qualifying investment for inclusion in an ISA.

Treatment of income

The AFM may even out the payments of income within an accounting period by carrying forward income otherwise distributable with a view to augmenting amounts to be paid out at a later date.

Redemption charge

None

Switching charge

Please refer to section 3.4 of the Company prospectus

Share class information

Share class	Minimum initial	Minimum subsequent	Minimum holding	Monthly savings	Minimum redemption	Initial charge
Income shares	£1,000	£500	£1,000	N/A	N/A	0%
Accumulation Shares	£1,000	£500	£1,000	Yes	N/A	0%

The AFM may waive the minimum levels at its discretion.

Annual management charges

£30,000¹ per annum plus 0.75% per annum of the net asset value of the Sub-fund attributable to the relevant class (plus VAT if applicable).

¹ The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Prices Index) on 1 January each year (from 1 January 2021). In the event of negative inflation, this fee will remain unchanged.

INVESTMENT MANAGER'S REVIEW

Performance overview

Over the 12 months to 31 March 2023 the Fund generated a total shareholder return of -6.90% (Accumulation). This compares to 0.23% returned by the IA UK Equity Income Sector. Given that the Fund takes a small & mid-cap approach, we would also reference the IA UK Smaller Companies Sector which returned -16.65% in the period.

The reporting period encapsulated many factors that global financial markets hadn't encountered for many years, if not decades, hence volatility was heightened and overall equity returns were suppressed. The main themes during the year were high levels of inflation across most of the developed world, and an aggressive rate hiking cycle by most major central banks to combat high levels of inflation. The year also saw the deplorable invasion of Ukraine by Russia, which resulted in a wave of sanctions placed on Russia by most of the world, which in turn added fuel to inflationary pressures.

These dynamics resulted in equity returns being very much dominated by macro forces rather than individual company performance, which is evidenced by large cap outperformance over small caps, with the FTSE 250 returning its biggest ever annual underperformance against the FTSE 100 with a -18% relative underperformance. In this context, whilst Fund performance was disappointing on an absolute level, it was reassuring on a relative level given the relative underperformance at the index level.

Despite the more difficult macro backdrop that was captured in 2022, most corporate earnings remained robust, with price rises offsetting slight volume declines and the UK consumer remaining much more resilient than expected in the face of rising costs. Therefore, a lot of the underperformance in UK small & mid-caps has come from multiple compression, to the point that the headline multiples now trade very close to the lowest levels seen in the depths of the Global Financial Crisis. Whilst some of these ratings may represent concerns that not all the bad news is behind us, we believe this presents a truly compelling opportunity for active management to position on a 3-5 year view. Many great businesses in the UK currently trade at depressed multiples that will come out the other side of a difficult macro environment on a stronger footing and continue to outperform over the longer term. Historically, over the longer term, small caps outperform large caps.

The priority of the Manager is to ensure that the Fund provides investors with a compelling and diversified yield to the market. Investors that bought the Income share class on 31 March 2022 would have received a yield of 4.71% over the following 12 months.

Over the period the Fund has exited 17 positions in full (three due to takeovers) and taken on 19 new positions.

Key contributors and detractors

The key contributors to portfolio performance over the period were EMIS Group (+14.98%) and Conduit Holdings (+40.72%), while Watkin Jones (-63.49%) and Hilton Food Group (-42.40%) were the most significant detractors.

EMIS Group, a provider of healthcare software and services to the NHS, GP surgeries and pharmacies throughout the UK, was subject to takeover offer at 1925p from Optum UK, a wholly owned subsidiary of UnitedHealth Group. This represented a 49% premium to the closing share price before the announcement. The deal was subsequently rejected by the UK's Competition and Markets Authority at the phase 1 investigation and is currently involved in a phase 2 investigation. History suggests that the success rate of deals completing post a phase 2 investigation is particularly low. The Fund exited the majority of its position after the initial bid approach and subsequently sold the remaining holding in full after the phase 1 rejection.

Conduit Holdings, a newly founded reinsurance firm, recorded its first underwriting profit as it continued to benefit from growth in net earned premiums (+148%) and a strong market for premium inflation. Overall, the portfolio generated a +19% increase in rates net of claims inflation. Management noted that they see the current favourable environment enduring into 2023 and continue to guide to reaching a mid-80s combined ratio.

Watkin Jones, engages in the development and management of purpose built student accommodation and build to rent properties. The company announced it had seen some pricing and margin softness as purchasers faced increasing funding costs, especially in September and October 2022, following the reaction to the 'mini-budget'. Given the company's year end is 30 September, two forward sales that were due to complete in September didn't complete and as a consequence the board guided to underlying operating profit coming in c.10% below market expectations. The company noted that it already has £0.7bn of forward sales to provide a solid revenue base for FY23.

Key contributors and detractors (Continued)

Hilton Food Group, engages in the packaging of meat and fish proteins and supply chain logistics for international food retailers in the UK, Netherlands, Ireland, Sweden, Denmark, Central Europe and Australia. At the interim results, the company noted that despite revenue being up 20.4% driven by a mixture of volumes and raw material inflation, adjusted profit before tax was 3.9% lower than the prior period. Profitability and margins were predominately impacted by its seafood business that was affected by the loss of Russian supply into Europe. This drove a significant increase in wholesale white fish prices. Unlike Hilton's single customer sites for meat packaging the seafood facilities operate under multi-customer agreements that don't enjoy the same raw material cost escalators. At the full year results, some of the price recovery had begun to come through along with other cost saving initiatives in the seafood division which should continue to build back profitability to previous levels throughout 2023.

Over the period, the Fund continued to engage with its investee companies and management teams to help improve ESG disclosure and transition to more energy efficient revenue generation.

The Manager continues to participate directly in voting on Annual General Meetings. Over the period the Manager has voted in favour of management proposals in 95% of resolutions and voted against 5% of resolutions. The majority of voting against proposed resolutions have been focused on political donations and the ability to issue up to or over 10% of the issued share capital without upholding pre-emptive rights.

During the period, the Manager and Downing LLP have progressing efforts on the environmental aspects of the firm and holdings within the Fund. We are pleased to announce that Downing LLP is now a signatory to The Net Zero Asset Managers Initiative. At the fund level, we are now reporting the GHG metrics of the Fund, with 2023 as a baseline in which we will look to improve over the medium term and look forward to reporting on an annual basis in this report.

The 2023 GHG metrics for the Fund are; absolute emissions (scope 1, 2 & 3) of 40,795,261 tCO₂e, carbon intensity of 5.57 tCO₂e per £m revenue and weighted average carbon intensity of 0.0295 tCO₂e per £m revenue. Within the Fund, 19 of the investee companies have made net zero commitments by 2050 or sooner.

Downing LLP
Investment Manager to the Fund
17 May 2023

PERFORMANCE RECORD

Financial Highlights

Income Shares

	Year to 31 March 2023	Year to 31 March 2022	Year to 31 March 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	121.45	113.83	87.43
Return before operating charges	(7.30)	14.03	31.71
Operating charges (note 1)	(1.08)	(1.26)	(0.96)
Return after operating charges *	(8.38)	12.77	30.75
Distributions on income shares	(4.72)	(5.15)	(4.34)
Closing net asset value per share	108.35	121.45	113.83
*after direct transactions costs of:	0.32	0.18	0.32
Performance			
Return after charges	(6.90%)	11.22%	35.17%
Other information			
Closing net asset value	£41,219,573	£41,952,948	£40,925,206
Closing number of shares	38,044,595	34,542,898	35,951,911
Operating charges (note 2)	0.94%	1.07%	0.95%
Direct transaction costs	0.28%	0.15%	0.32%
Prices			
Highest share price	124.64	134.29	114.06
Lowest share price	100.80	110.55	85.91

Accumulation Shares

	Year to 31 March 2023	Year to 31 March 2022	Year to 31 March 2021
Changes in net assets per share	GBP	GBP	GBP
Opening net asset value per share	212.13	190.85	140.34
Return before operating charges	(12.70)	23.44	52.08
Operating charges (note 1)	(1.93)	(2.16)	(1.57)
Return after operating charges *	(14.63)	21.28	50.51
Closing net asset value per share	197.50	212.13	190.85
Distributions on accumulation shares	8.38	8.75	7.22
*after direct transactions costs of:	0.57	0.30	0.52
Performance			
Return after charges	(6.90%)	11.15%	35.99%
Other information			
Closing net asset value	£1,073,925	£1,266,802	£1,949,674
Closing number of shares	543,773	597,191	1,021,573
Operating charges (note 2)	0.94%	1.07%	0.95%
Direct transaction costs	0.28%	0.15%	0.32%
Prices			
Highest share price	217.69	228.33	190.85
Lowest share price	180.04	190.51	138.29

PERFORMANCE RECORD (Continued)

Financial Highlights (Continued)

1. The operating charges per share figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.
2. The ongoing charges figure is based on the expenses incurred during the period annualised, as a proportion of the average net asset value of the Sub-fund together with the ongoing charges included within the underlying holdings held within the Sub-fund.

Risk Profile

Based on past data, the Sub-fund is ranked a '6' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document (31 March 2022: ranked 6). The Sub-fund is ranked 6 because weekly historical performance data indicates that significant rises and falls in market prices would have occurred historically.

PORTFOLIO STATEMENT

As at 31 March 2023

Holding	Value £	% of net assets
ENERGY (31.03.2022: 4.39%)		
1,150,000 Diversified Energy Company PLC	1,078,124	2.56
408,000 Gresham House Energy Storage Fund PLC	632,400	1.50
	1,710,524	4.06
INDUSTRIALS (31.03.2022: 12.78%)		
316,741 Alpha Financial Markets Consulting PLC	1,346,149	3.20
426,000 Galliford Try PLC	742,092	1.77
494,753 Gateley Holdings PLC	870,765	2.07
364,000 National Express Group PLC	436,800	1.04
289,000 Restore PLC	809,200	1.92
95,000 Ricardo PLC	513,950	1.22
200,000 Essentra PLC	394,800	0.94
385,000 Ibstock PLC	664,895	1.58
	5,778,651	13.74
CONSUMER GOODS (31.03.2022: 4.92%)		
164,000 Britvic PLC	1,470,260	3.50
154,000 Hilton Food Group PLC	1,067,220	2.54
243,000 Kitwave Group PLC	636,660	1.51
341,000 PZ Cussons PLC	634,260	1.51
361,173 Real Good Food PLC	3,612	0.01
40,000 Tate & Lyle PLC	312,720	0.74
	4,124,732	9.81
HEALTH CARE (31.03.2022: 7.74%)		
13,000 Bioventix PLC	507,000	1.21
1,600,000 EKF Diagnostics Holdings PLC	478,400	1.14
24,000 EMIS Group PLC	331,680	0.79
	1,317,080	3.14
CONSUMER SERVICES (31.03.2022: 15.38%)		
10,000 Games Workshop Group PLC	951,000	2.26
356,000 Hollywood Bowl Group PLC	833,040	1.98
491,000 Moneysupermarket.Com Group PLC	1,230,446	2.93
168,000 Pets at Home Group PLC	617,568	1.47
966,000 Supreme PLC	898,380	2.14
37,000 WH Smith PLC	555,000	1.32
138,000 Bloomsbury Publishing PLC	613,410	1.46
56,551 Zegona Communications PLC	38,172	0.09
	5,737,016	13.65
UTILITIES (31.03.2022: 6.46%)		
251,000 Drax Group PLC	1,513,530	3.60
52,000 Telecom Plus PLC	990,080	2.35
	2,503,610	5.95

PORTFOLIO STATEMENT (continued)
As at 31 March 2023

Holding	Value £	% of net assets
FINANCIALS (31.03.2022: 14.88%)		
326,556 Conduit Holdings Ltd	1,587,062	3.77
346,000 Foresight Group Holdings Ltd	1,349,400	3.21
1,077,000 Frp Advisory Group PLC	1,120,080	2.66
246,000 Integrafin Holding	675,024	1.61
1,074,873 Record PLC	842,700	2.00
574,000 Sabre Insurance Group PLC	641,732	1.53
479,000 TP ICAP PLC	863,158	2.05
945,000 XPS Pensions Group PLC	1,512,000	3.60
	8,591,156	20.43
TECHNOLOGY (31.03.2022: 19.67%)		
64,000 Computacenter PLC	1,344,000	3.20
92,638 FDM Group (Holdings) PLC	676,257	1.61
647,850 Fonix Mobile PLC	1,263,308	3.00
134,195 iEnergizer Ltd	429,424	1.02
1,000,700 Redcentric PLC	1,325,928	3.15
178,000 Smart Metering Systems PLC	1,338,560	3.18
970,000 Digital 9 Infrastructure	609,160	1.45
	6,986,637	16.61
PROPERTY (31.03.2022: 5.64%)		
86,000 Lokn Store Group PLC	627,800	1.49
806,402 Watkin Jones PLC	711,247	1.69
	1,339,047	3.18
FIXED INTEREST (31.03.2022: 1.79%)		
772,932 Real Good Food 12% C Sec Guar Loan Note 19/05/2023	579,699	1.39
238,752 Real Good Food Var Loan Note 19/05/2023	179,064	0.44
	758,763	1.83
Portfolio of investments (31.03.2022: 93.65%)	38,847,216	92.40
Net other assets (31.03.2022: 6.86%)	3,194,940	7.60
	42,042,156	100.00

Note: The 31 March 2022 comparators percentages are based on Mid pricing and does not add up to 100%. The Mid to Bid adjustment for the year ended 31 March 2022 was (0.51%).

SUMMARY OF MATERIAL PORTFOLIO CHANGES

	£
Total sales for the year (note 14)	22,079,078
Alpha Financial Markets Consulting PLC	651,117
Associated British Foods	1,069,382
Bloomsbury Publishing PLC	502,059
Brewin Dolphin Holdings PLC	983,282
Caretech Holdings PLC	2,064,742
Close Brothers Group PLC	579,056
Computacenter PLC	137,429
ContourGlobal PLC	1,809,218
Digital 9 Infrastructure	164,558
Diversified Energy Company PLC	126,336
Downing Renewables & Infrastructure Trust PLC	411,781
Drax Group PLC	397,477
Dunelm Group PLC	864,849
EMIS Group PLC	1,401,360
Fonix Mobile PLC	162,933
Games Workshop Group PLC	235,249
Gresham House Energy Storage Fund PLC	275,350
Hilton Food Group PLC	129,243
Impact Healthcare REIT PLC	802,158
Integrafin Holding	107,527
Lokn Store Group PLC	586,891
Moneysupermarket.Com Group PLC	170,667
Natwest Group PLC	982,227
Polar Capital Holdings PLC	576,457
Randall & Quilter Investment Holdings Ltd	269,511
Redrow PLC	718,107
Secure Trust Bank PLC	607,964
Smart Metering Systems PLC	218,006
Strix Group PLC	952,506
Tritax EuroBox PLC	724,426
Urban Logistics Reit PLC	802,709
Vistry Group PLC	801,355
Volex PLC	901,320
Watkin Jones PLC	246,478
XP Power Ltd	405,007
XPS Pensions Group PLC	240,341

The above sales represent all of the sales during the year.

SUMMARY OF MATERIAL PORTFOLIO CHANGES (continued)

	£
Total purchases for the year (note 14)	25,595,711
Alpha Financial Markets Consulting PLC	266,916
Associated British Foods	1,113,402
Bioventix PLC	435,805
Britvic PLC	517,921
Close Brothers Group PLC	614,446
Computacenter PLC	416,986
Conduit Holdings Ltd	272,401
ContourGlobal PLC	432,133
Digital 9 Infrastructure	248,500
Diversified Energy Company PLC	414,240
Downing Renewables & Infrastructure Trust PLC	410,644
Drax Group PLC	549,420
Dunelm Group PLC	240,909
EKF Diagnostics Holdings PLC	624,195
Essentra PLC	452,548
FDM Group (Holdings) PLC	176,399
Fonix Mobile PLC	70,550
Foresight Group Holdings Ltd	515,506
Frp Advisory Group PLC	497,556
Galliford Try PLC	711,895
Games Workshop Group PLC	62,266
Gateley Holdings PLC	146,892
Gresham House Energy Storage Fund PLC	29,000
Hilton Food Group PLC	517,886
Hollywood Bowl Group PLC	762,808
Ibstock PLC	767,492
iEnergizer Ltd	32,760
Impact Healthcare REIT PLC	37,440
Integrafin Holding	776,744
Kitwave Group PLC	431,839
Lokn Store Group PLC	96,263
Moneysupermarket.Com Group PLC	399,358
National Express	503,325
Natwest Group PLC	1,104,112
Pets at Home Group	448,339
PZ Cussons PLC	670,461
Record PLC	823,670
Redcentric PLC	134,645
Redrow PLC	176,704
Restore PLC	1,138,262
Ricardo PLC	429,938
Sabre Insurance Group PLC	544,701
Secure Trust Bank PLC	134,518
Smart Metering Systems PLC	192,882
Strix Group PLC	187,180
Supreme PLC	655,777
Tate & Lyle PLC	317,199
Telecom Plus PLC	1,060,135
TP ICAP PLC	845,085
Tritax EuroBox PLC	325,836
Urban Logistics Reit PLC	280,144
Vistry Group PLC	594,327
W H Smith	546,834
Watkin Jones PLC	560,256
XP Power Ltd	211,640
XPS Pensions Group PLC	666,621

The above purchases represent all of the purchases during the year.

STATEMENT OF TOTAL RETURN

For the year ended 31 March

			2023		2022
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2		(4,592,121)		3,298,215
Revenue	3	1,845,630		1,865,759	
Expenses	4	(378,852)		(404,876)	
Interest payable and similar charges	6	(21)		(5,236)	
Net revenue before taxation		1,466,757		1,455,647	
Taxation	5	-		-	
Net revenue after taxation			1,466,757		1,455,647
Total return before distributions			(3,125,364)		4,753,862
Finance costs: distributions	6		(1,795,089)		(1,875,135)
Changes in net assets attributable to shareholders from investment activities			(4,920,453)		2,878,727

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 March

	2023	2022
	£	£
Opening net assets attributable to shareholders	43,002,092	42,633,998
Amounts receivable on creation of shares	7,998,239	3,290,330
Amounts payable on cancellation of shares	(4,099,962)	(5,867,321)
Dividends reinvested	46,477	66,358
Dilution levies	15,763	-
Changes in net assets attributable to shareholders from investment activities (see above)	(4,920,453)	2,878,727
Closing net assets attributable to shareholders	42,042,156	43,002,092

BALANCE SHEET

As at		31.03.2023		31.03.2022	
	Notes	£	£	£	£
ASSETS					
Investment assets			38,847,216		40,051,117
Current assets					
Debtors	7	238,652		630,933	
Cash and bank balances	8	<u>3,925,793</u>		<u>3,660,351</u>	
Total current assets			<u>4,164,445</u>		<u>4,291,284</u>
Total assets			43,011,661		44,342,401
LIABILITIES					
Current liabilities					
Creditors	9	(570,182)		(772,025)	
Distribution payable on income shares		<u>(399,323)</u>		<u>(568,284)</u>	
Total current liabilities			<u>(969,505)</u>		<u>(1,340,309)</u>
Net assets attributable to shareholders			<u>42,042,156</u>		<u>43,002,092</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

1 Accounting policies

- (a) The financial statements have been prepared in accordance with FRS 102, the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and the amendments to the SORP issued by the IA in June 2017. The functional currency is Sterling.
- (b) There are no material events that have been identified that may cast significant doubt about the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The AFM believes that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.
- (c) All expenses, other than those relating to the purchase and sale of investments, are charged to revenue on an accruals basis. All expenses are then reallocated to capital, net of any tax effect for distribution purposes.
- (d) Distributions on equities and trusts are recognised when the security is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis. Revenue on debt securities is accounted for on an effective yield basis. Rebates are recognised on an accruals basis and are then reallocated to capital, net of any tax effect for distribution purposes.
- (e) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Sub-fund, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.
- (f) Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case. Where the receipt of a special dividend results in a significant reduction in the capital value or where the distribution arises from an underlying capital event such as a merger or disposal these would typically be deemed as capital so as to ensure that the matching principle is applied to gains and losses. Otherwise, the special dividend would typically be recognised as revenue. Where special dividends are treated as revenue, they are included in the amount available for distribution. The tax accounting treatment follows the principal amount.
- (g) Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is 12 noon on 31 March 2023 with reference to quoted bid prices from reliable external sources. Unlisted or suspended investments are valued by the AFM taking into account where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.
- (h) All transactions in foreign currencies are converted into Sterling at the rate of exchange ruling at the dates of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point on 31 March 2023.
- (i) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the AFM considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.
- (j) In certain circumstances the AFM may charge a dilution levy on the sale or repurchase of shares. The levy, which is paid into the Sub-fund, is intended to cover certain charges not included in the bid market value of the Sub-fund, used in calculating the share price, which could have a diluting effect on the performance of the Sub-fund.
- (k) The Sub-fund currently issues Accumulation and Income shares. The Sub-fund goes ex dividend quarterly and pays any income available to the shareholder two months in arrears, as a dividend distribution. Any revenue deficit at the year end is funded from capital.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Sub-fund (or if it no longer exists the AFM). Application to claim distributions that have not been paid should be made to the AFM before this six year period has elapsed.

For the treatment of expenses revert to policy 'c' and special dividends revert to policy 'f'.

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Net capital (losses)/gains

	2023	2022
	£	£
The net capital (losses)/gains comprise:		
Non-derivative securities (losses)/gains	(4,589,530)	3,292,565
Currency gains	-	7,971
Transaction charges	(2,591)	(2,321)
Total net capital (losses)/gains	<u>(4,592,121)</u>	<u>3,298,215</u>

3 Revenue

	2023	2022
	£	£
Non-taxable dividends	1,736,414	1,593,137
Property income distributions (PIDs)	24,492	117,151
Interest on non-derivative securities	32,620	155,424
Investment manager's fee rebate	(2,957)	-
Bank interest received	55,061	47
Total revenue	<u>1,845,630</u>	<u>1,865,759</u>

4 Expenses

	2023	2022
	£	£
Payable to the Authorised Fund Manager, associates of the Authorised Fund Manager, and agents of either of them:		
Annual management charge	<u>357,842</u>	<u>371,612</u>
	<u>357,842</u>	<u>371,612</u>
Payable to the depositary, associates of the depositary, and agents of either of them:		
Depositary fee	12,757	18,000
Safe custody fee	(2,033)	1,771
	<u>10,724</u>	<u>19,771</u>
Audit fee	7,954	8,100
Legal fees	-	1,080
Other expenses	2,332	4,313
	<u>10,286</u>	<u>13,493</u>
Total expenses	<u>378,852</u>	<u>404,876</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Taxation

	2023 £	2022 £
(a) Analysis of charge in the year		
UK corporation tax	-	-
Total tax charge for the year (note 5b)	-	-
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2022: 20.00%) The differences are explained below:		
Net revenue before UK corporation tax	1,466,757	1,455,647
Corporation tax at 20.00% (2022: 20.00%)	293,351	291,129
<u>Effects of:</u>		
Revenue not subject to UK corporation tax	(347,282)	(318,627)
Current year expenses not utilised	53,931	27,498
Total tax charge for the year (note 5a)	-	-

(c) Provision for deferred taxation

At 31 March 2023 there is a potential deferred tax asset of £363,671 (31 March 2022: £309,740) in relation to surplus management expenses. It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

6 Finance costs

	2023 £	2022 £
Interim dividend distributions	1,406,205	1,280,937
Final dividend distribution	409,627	585,167
	1,815,832	1,866,104
Add: Revenue deducted on cancellation of shares	21,070	33,706
Deduct: Revenue received on issue of shares	(41,813)	(24,675)
Net distribution for the year	1,795,089	1,875,135
Interest payable and similar charges	21	5,236
Total finance costs	1,795,110	1,880,371
Reconciliation of distributions		
Net revenue after taxation	1,466,757	1,455,647
Expenses paid from capital (net of IM rebates)	381,809	404,876
Relief on expenses allocated to capital	(22,430)	(53,477)
Balance brought forward	(53,477)	14,612
Balance carried forward	22,430	53,477
Net distribution for the year	1,795,089	1,875,135

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Debtors	31.03.2023	31.03.2022
	£	£
Amounts receivable on creation of shares	18,186	8,283
Amounts receivable on unsettled trades	-	428,639
Accrued revenue:		
Dividends receivable	159,599	189,370
Interest on non-derivative securities receivable	-	1,670
Return of capital receivable	59,600	-
Prepayments	1,267	14
Investment manager's fee rebate receivable	-	2,957
Total debtors	238,652	630,933

8 Cash and bank balances	31.03.2023	31.03.2022
	£	£
Cash and bank balances	3,925,793	3,660,351

9 Creditors	31.03.2023	31.03.2022
	£	£
Amounts payable on cancellation of shares	6,376	36,977
Amounts payable on unsettled trades	518,600	681,739
Annual management charge	14,540	23,858
Accrued expenses	30,666	29,451
Total creditors	570,182	772,025

10 Shares held

Shares held - Income Shares

Opening shares at 01.04.2022	34,542,898
Shares issued during the year	6,827,703
Shares cancelled during the year	(3,326,006)
Shares converted during the year	-
Closing shares as at 31.03.2023	38,044,595

Shares held - Accumulation Shares

Opening shares at 01.04.2022	597,191
Shares issued during the year	91,920
Shares cancelled during the year	(145,338)
Shares converted during the year	-
Closing shares as at 31.03.2023	543,773

11 Risk management policies

In pursuing its investment objective as stated on page 7, the Sub-fund holds a number of financial instruments. The Sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Sub-fund's financial instruments, those of its underlying holdings and the AFM's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Sub-fund's investment holdings 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 mainly from uncertainty about future prices of financial instruments the Sub-fund holds. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the AFM in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.03.2023 would have increased/decreased by £3,884,722 (2022: £4,005,112).

Foreign currency risk

Foreign currency risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The AFM may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to Sterling on or near the date of receipt.

Net currency assets and liabilities consist of:

	Net monetary assets and liabilities		Non-monetary assets and liabilities		Total net assets	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Sterling	3,147,440	2,916,676	38,847,216	40,051,117	41,994,656	42,967,793
US Dollar	47,500	34,299	-	-	47,500	34,299
Total	3,194,940	2,950,975	38,847,216	40,051,117	42,042,156	43,002,092

Interest rate risk

Interest rate risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in interest rates. These include cash and bank balances.

The table below details the interest rate risk profile at the balance sheet date:

	31.03.2023	31.03.2022
	£	£
Financial assets floating rate	3,925,793	3,660,351
Financial assets non-interest bearing instruments	39,085,868	40,682,050
Financial liabilities non-interest bearing instruments	(969,505)	(1,340,309)
	42,042,156	43,002,092

Maturity of financial liabilities

The financial liabilities of the Sub-fund as at 31 March 2023 are payable either within one year or on demand.

11 Risk management policies (continued)

Liquidity risk

The Sub-fund's assets comprise mainly of readily realisable securities. The main liability of the Sub-fund is the redemption of any shares that the investors wish to sell. Assets of the Sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

Credit risk

Certain transactions in securities that the Sub-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 Sub-fund has fulfilled its responsibilities. The Sub-fund only buys and sells investments through brokers which have been approved by the AFM as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Credit risk also arises on cash held within financial institutions and debt securities. Credit risk on cash balances is mitigated by ensuring that cash is held with financial institutions that are at least investment grade credit related.

Fair value disclosure

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices and the lowest priority to un-observable inputs. The criteria applied to the fair values levels in these financial statements are as follows:

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.

Valuation Technique	31.03.2023		31.03.2022	
	Assets (£000's)	Liabilities (£000's)	Assets (£000's)	Liabilities (£000's)
Level 1: Unadjusted quoted price in an active market for an identical instrument	38,088	-	39,292	-
Level 3: Valuation techniques using unobservable inputs	759	-	759	-
Total	38,847	-	40,051	-

12 Contingent assets and liabilities

At 31 March 2023, the Sub-fund had no contingent liabilities or commitments (31 March 2022: £nil).

13 Post balance sheet events

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 31 March 2023. Since that date, the Sub-fund's quoted price has moved as follows for each share class:

	Price (GBP) at 31 March 2023	Price (GBP) at 17 July 2023
Income Shares	108.35	106.62
Accumulation Shares	197.50	196.46

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Direct transaction costs

	2023		2022	
	£	%	£	%
Analysis of total purchase costs				
Purchases in the year before transaction costs	25,487,679		21,827,574	
Commissions	17,788	0.07%	8,550	0.04%
Taxes & levies	90,244	0.35%	49,432	0.23%
Total purchase costs	108,032	0.42%	57,982	0.27%

Total purchases including transaction costs	<u>25,595,711</u>		<u>21,885,556</u>	
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	2023		2022	
	£	%	£	%
Analysis of total sale costs				
Sales in the year before transaction costs	22,093,852		26,469,826	
Commissions	(14,773)	(0.07%)	(8,767)	(0.03%)
Taxes & levies	(1)	(0.00%)	(9)	(0.00%)
Total sales costs	(14,774)	(0.07%)	(8,776)	(0.03%)

Total sales net of transaction costs	<u>22,079,078</u>		<u>26,461,050</u>	
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The following represents the total of each type of transaction cost, expressed as a percentage of the Sub-fund's average net asset value in the year:

	2023	% of average	2022	% of average
	£	net asset value	£	net asset value
Commissions	32,561	0.08%	17,317	0.04%
Taxes & levies	90,245	0.20%	49,441	0.11%
	<u>122,806</u>	<u>0.28%</u>	<u>66,758</u>	<u>0.15%</u>

15 Portfolio Dealing Spread

The average portfolio dealing spread at 31 March 2023 is 1.29% (2022: 1.14%).

16 Related Party Transactions

Valu-Trac Investment Management Limited, as AFM is a related party due to its ability to act in respect of the operations of the Sub-fund.

Amounts paid to the AFM and its associates are disclosed in note 4. The amounts due to the AFM and its associates at the balance sheet date are disclosed in note 10. Amounts received from the AFM and its associates are disclosed in note 3. Amounts due from the AFM and its associates at the balance sheet date are disclosed in note 7.

DISTRIBUTION TABLES

Q1 Interim distribution in pence per share

Group 1: Shares purchased prior to 01 April 2022

Group 2 : Shares purchased on or after 01 April 2022 and on or before 30 June 2022

Accumulation	Net Revenue 31.08.2022	Equalisation	Distribution 31.08.2022
Group 1	2.0839p	-	2.0839p
Group 2	1.7025p	0.3814p	2.0839p

Income	Net Revenue 31.08.2022	Equalisation	Distribution 31.08.2022
Group 1	1.1928p	-	1.1928p
Group 2	0.7512p	0.4416p	1.1928p

Q2 Interim distribution in pence per share

Group 1: Shares purchased prior to 01 July 2022

Group 2 : Shares purchased on or after 01 July 2022 and on or before 30 September 2022

Accumulation	Net Revenue 30.11.2022	Equalisation	Distribution 30.11.2022
Group 1	2.2681p	-	2.2681p
Group 2	1.8944p	0.3737p	2.2681p

Income	Net Revenue 30.11.2022	Equalisation	Distribution 30.11.2022
Group 1	1.2853p	-	1.2853p
Group 2	0.6001p	0.6852p	1.2853p

Q3 Interim distribution in pence per share

Group 1: Shares purchased prior to 01 October 2022

Group 2 : Shares purchased on or after 01 October 2022 and on or before 31 December 2022

Accumulation	Net Revenue 28.02.2023	Equalisation	Distribution 28.02.2023	Distribution 28.02.2022^
Group 1	2.1363p	-	2.1363p	1.7871p
Group 2	0.2811p	1.8552p	2.1363p	1.7871p

Income	Net Revenue 28.02.2023	Equalisation	Distribution 28.02.2023	Distribution 28.02.2022^
Group 1	1.1963p	-	1.1963p	1.0500p
Group 2	0.9339p	0.2624p	1.1963p	1.0500p

^ Distribution period 01 November 2021 to 31 December 2021

Final distribution in pence per share

Group 1: Shares purchased prior to 01 January 2023

Group 2 : Shares purchased on or after 01 January 2023 and on or before 31 March 2023

Accumulation	Net Revenue 31.05.2023	Equalisation	Distribution 31.05.2023	Distribution 31.05.2022
Group 1	1.8949p	-	1.8949p	2.8271p
Group 2	1.1137p	0.7812p	1.8949p	2.8271p

Income	Net Revenue 31.05.2023	Equalisation	Distribution 31.05.2023	Distribution 31.05.2022
Group 1	1.0496p	-	1.0496p	1.6452p
Group 2	0.4105p	0.6391p	1.0496p	1.6452p

DISTRIBUTION TABLES (continued)

Prior period distributions

On the 01 November 2021, the fund changed the Ex-distribution dates and the Distribution dates from monthly to quarterly intervals.

Below are the comparators for the monthly distributions in the year ending 31 March 2022.

Distribution period	Paydate	Accumulation Rate	Income Rate
01 April 2021 to 30 April 2021	28 May 2021	0.5868p	0.3500p
01 May 2021 to 31 May 2021	30 June 2021	0.5876p	0.3500p
01 June 2021 to 30 June 2021	30 July 2021	0.5884p	0.3500p
01 July 2021 to 31 July 2021	31 August 2021	0.5900p	0.3500p
01 August 2021 to 31 August 2021	30 September 2021	0.5916p	0.3500p
01 September 2021 to 30 September 2021	29 October 2021	0.5931p	0.3500p
01 October 2021 to 31 October 2021	30 November 2021	0.5937p	0.3500p

Information for corporate shareholders

A corporate shareholder receives the distribution shown on the voucher enclosed with this report as follows:

- i) 93.93% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 6.07% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

INFORMATION FOR INVESTORS

Individual shareholders

Income tax: Tax-free annual dividend allowance now standing at £2,000 (2022/23). UK resident shareholders are now subject to new, higher rates of tax on dividend income in excess of the annual allowance. UK resident shareholders are subject to tax on dividend income in excess of the annual allowance.

Capital gains tax: Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, the first £12,300 (2022/23) of gains each year are presently tax free for individuals. Gains in excess of that amount are charged at the rate of tax applicable to the individual tax payer.

Taxation

The Company will pay no corporation tax on its profits for the year ended 31 March 2023. Capital gains within the Company will not be taxed.

Corporate shareholders

Companies resident for tax purposes in the UK which hold shares should note that OEIC distributions are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which has been subject to income tax at prevailing rates and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

The above information on taxation is only a general summary, and shareholders should consult their own tax advisors in relation to their own circumstances. Shareholders should also note that the position as outlined may change to reflect future changes in tax legislation.

Issue and redemption of shares

Valu-Trac Investment Management Limited is the AFM and Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours between 8.30am and 5.30pm. Instructions may be given by email to the below email addresses or by sending an application form to the Registrar. Application forms are available from the Registrar. Email Downing@valu-trac.com

The price of shares will be determined by reference to a valuation of the Company's net assets at 12 noon on each dealing day.

The AFM has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the AFM will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the business day following the valuation point by reference to which the purchase price is determined. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Certificates will not be issued. Statements in respect of periodic distributions of revenue will show the number of shares held by the recipient in respect of which the distribution is made. Individual statements of a shareholder's shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the next valuation point after receipt by the AFM of a request for redemption.

The most recent issue and redemption prices are available from the AFM.

INFORMATION FOR INVESTORS (Continued)

Remuneration

The AFM is subject to a remuneration policy which meets the requirements of the Undertakings for Collective Investment in Transferable Securities Directive (UCITS) as set out in SYSC 19E of the FCA Handbook.

The policy is designed to ensure practices for employee remuneration are consistent with, and promote, sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instrument of incorporation of the funds managed, and does not impair the AFM compliance with its duty to act in the best interests of the funds it manages.

The AFM has reviewed the Remuneration Policy and its application in the last year which has resulted in no material changes to the policy or irregularities to process.

The AFM is required to disclose the total remuneration it pays to its staff during the financial year, split into fixed and variable remuneration, with separate aggregate disclosure for staff whose actions may have a material impact to the risk profile of a fund or the AFM itself. This includes executives, senior risk and compliance staff and certain senior managers.

30.09.2022	Number of Beneficiaries	Fixed Remuneration	Variable Remuneration Paid	Total Remuneration Paid
Total remuneration paid by the AFM during the year	95	£ 2,760,167	£ nil	£ 2,760,167
Remuneration paid to employees of the AFM who have a material impact on the risk profile of the UK UCITS	8	£ 492,146	£ nil	£ 492,146
Senior Management	18	£ 1,042,368	£ nil	£ 1,042,368
Control Functions	13	£ 652,722	£ nil	£ 652,722
Employees receiving total remuneration that takes them into the same remuneration brackets as senior management and risk takers	3	£ 149,085	£ nil	£ 149,085

Further information is available in the AFM's Remuneration Policy document which can be obtained from <https://www.valu-trac.com/Pillar%203%202021-09.pdf>. A paper copy of the remuneration policy is available on request from the registered office of the Authorised Fund Manager free of charge.

Assessment of Value

The AFM conducts an assessment of value for the Sub-fund each year. The assessment of value report is available on the AFM's website.

CORPORATE DIRECTORY

Authorised Fund Manager & Registrar	<p>Valu-Trac Investment Management Limited Orton Fochabers Moray IV32 7QE</p> <p>Telephone: 01343 880344 Fax: 01343 880267 Email: downing@valu-trac.com</p> <p>Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648</p>
Investment Manager	<p>Downing LLP 6th Floor St Magnus House 3 Lower Thames Street London EC3R 6HD</p> <p>Authorised and regulated by the Financial Conduct Authority</p>
Depository	<p>NatWest Trustee and Depositary Services Limited House A Floor 0, 175 Glasgow Road Gogarburn Edinburgh EH12 1HQ</p> <p>Authorised regulated by the Financial Conduct Authority</p>
Auditor	<p>Johnston Carmichael LLP Chartered Accountants Commerce House South Street Elgin IV30 1JE</p>