



# WS Gresham House Equity Funds

(Formerly LF Gresham House Equity Funds)

Annual Report and Financial Statements  
for the year ended 31 December 2023



WS Gresham House UK Multi Cap Income Fund  
(Formerly LF Gresham House UK Multi Cap  
Income Fund)

WS Gresham House UK Smaller Companies Fund  
(Formerly LF Gresham House UK Smaller  
Companies Fund)

## AUTHORISED CORPORATE DIRECTOR ('ACD')

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### WAYSTONE MANAGEMENT (UK) LIMITED

Head Office:  
2nd floor  
20-22 Bedford Row  
Holborn  
London WC1R 4EB  
Telephone: 0345 922 0044  
Email: investorservices@linkgroup.co.uk  
(Authorised and regulated by the Financial Conduct Authority)

## DIRECTORS OF THE ACD

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A.M. Berry  
V. Karalekas (appointed 14 July 2023)  
T.K. Madigan\*  
K.J. Midl (appointed 9 October 2023)  
E.E. Tracey (appointed 9 October 2023)\*  
R.E. Wheeler  
S.P. White\*

## INVESTMENT MANAGER

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### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

5 New Street Square  
London EC4A 3TW  
(Authorised and regulated by the Financial Conduct Authority)

## DEPOSITARY

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### THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

160 Queen Victoria Street  
London EC4V 4LA  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority)

## REGISTRAR

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### LINK FUND ADMINISTRATORS LIMITED

Customer Service Centre:  
Central Square  
29 Wellington Street  
Leeds LS1 4DL  
Telephone: 0345 922 0044  
Fax: 0113 224 6001  
(Authorised and regulated by the Financial Conduct Authority)

## INDEPENDENT AUDITOR

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### KPMG LLP

319 St Vincent Street  
Glasgow G2 5AS  
(Chartered Accountants)

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\* Non-Executive Directors of the ACD.

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## ACD'S REPORT

for the year ended 31 December 2023

### Authorised Status

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

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

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

### ACD's Statement

#### Economic Uncertainty

Whilst the outbreak of COVID-19 in March 2020 now seems a distant memory, Russia's incursion into Ukraine in February 2022 remains an unresolved conflict, that has led to inflationary pressures globally. Add to this the Israeli-Hamas conflict, that commenced in October 2023, and we are faced with consequences in both the domestic and global economy. Significant increases in the prices of energy and commodities have reverberated around the world, leading to many countries seeing inflation rates at levels not seen for many years. To curb the increase in inflation, many nations' central banks have, over recent times, been progressively increasing interest rates. One might suggest we are now close to the peak of interest rates as inflation, in most economies, is heading in a downward trajectory. What is not clear at this time is whether the consequences of these events will culminate in local, or even a global, recession or whether a 'soft-landing' is attainable.

#### Important Information

With effect from 1 June 2023, the A Sterling Accumulation and A Sterling Income share classes were launched in the LF Gresham House UK Multi Cap Income Fund.

With effect from 9 October 2023, the following changes occurred:

- The ACD of the Company changed from Link Fund Solutions Limited ('LFSL') to Waystone Management (UK) Limited ('WMUK');
- In addition to each of the sub-funds' name changes, with 'WS' replacing 'LF', the Company name changed to WS Gresham House Equity Funds;
- The head office and registered office of the Company changed to 2nd floor, 20-22 Bedford Row, Holborn, London WC1R 4EB; and
- The website for the publication of prices and obtaining documents of the Company changed to [www.waystone.com](http://www.waystone.com).

## ACD'S REPORT continued

### Important Information continued

With effect from 1 February 2024, the following changes occurred within the WS Gresham House UK Smaller Companies Fund:

- The Annual Management Charge ('AMC') applied to the C Sterling Accumulation and C Sterling Income share classes reduced by 0.15%. The reduced AMC is 0.75%; and
- The Ongoing Charge Figure ('OCF') applied to the C Sterling Accumulation and C Sterling Income share classes reduced by 0.15%. The reduced OCF is 0.85%.

### Cross Holdings

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

### Remuneration Disclosure

On 9 October 2023 the ACD of the Company changed. These report and accounts are being produced by the Company's current ACD and the disclosures below relate to the most recent period for which audited information in respect of the current ACD is available, being the year ended 31 December 2022.

Investors' attention is drawn to the following:

1. The remuneration arising in respect of the accounting period for which these report and accounts are being prepared related to the Company's previous ACD. We understand that the previous ACD discloses information in respect of that remuneration on its website.
2. The change of ACD was part of a wider corporate transaction whereby substantially all the previous ACD's funds were transferred to the current ACD. As a result circa £83 billion of funds under management were transferred to the current ACD. The effects of this transaction in terms of remuneration will be reported to investors in due course once more recent audited accounts for the current ACD are available.

## REMUNERATION

The ACD is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the Directive.

The fixed remuneration paid by the ACD to its staff in respect of all funds that it manages in the year ended 31 December 2022 was £823,929 and was shared amongst 12 members of staff (31.12.21: £751,344; 12 members of staff). The fixed remuneration paid by the ACD to the Remuneration Code Staff for the year ended 31 December 2022 was £292,500, shared amongst 3 employees. All 12 ACD staff members were fully or partially involved in the activities of the Company. The ACD did not pay any variable remuneration. The ACD staff remuneration is established with reference to the market remuneration of each equivalent position and is not linked to the performance of the Company or any other alternative investment fund the ACD is the AIFM of. None of the ACD's staff actions had a material impact on the risk profile of the Company.



## ACD'S REPORT continued

### Securities Financing Transactions

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

### Task Force on Climate-related Financial Disclosures ('TCFD')

In accordance with current Financial Conduct Authority rules, the ACD is required to publish its own TCFD report and that of each fund. The report can be found at TCFD Reporting ([fundsolutions.net/tcfd-reporting](https://fundsolutions.net/tcfd-reporting)) and the report of the sub-funds of the Company can be found at <https://www.fundsolutions.net/uk/gresham-house-asset-management-limited/ws-gresham-house-equity-funds/>.

Prior to accessing the report of the sub-funds of the Company there is a link to the 'TCFD Reporting Guide' which provides an explanation of the TCFD report.

### Value Assessment

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

## WAYSTONE MANAGEMENT (UK) LIMITED

ACD of WS Gresham House Equity Funds

26 April 2024

## DIRECTOR'S STATEMENT

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

A.M. BERRY

**WAYSTONE MANAGEMENT (UK) LIMITED**

ACD of WS Gresham House Equity Funds  
26 April 2024

## STATEMENT OF ACD'S RESPONSIBILITIES

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

In preparing the financial statements the ACD is responsible for:

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

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

## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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

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

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

The Depositary must ensure that:

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

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

## REPORT OF THE DEPOSITARY

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

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

### THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Depositary of WS Gresham House Equity Funds

26 April 2024

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

### Opinion

We have audited the financial statements of the Company for the year ended 31 December 2023 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 Tables* for each of the Company's sub-funds listed on pages 2 and 3 and the accounting policies set out on pages 16 to 19.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of each of the sub-funds as at 31 December 2023 and of the net revenue and the net capital gains on the property of each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

### Basis for Opinion

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

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

### Going Concern

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

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

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

Our conclusions based on this work:

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

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

### Fraud and Breaches of Laws and Regulations – Ability to Detect

#### IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

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

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

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

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

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

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

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

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

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

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

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

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

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



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

### Other Information

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

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

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

### Matters on Which We Are Required to Report by Exception

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

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

### Authorised Corporate Director's (Waystone Management (UK) Limited) Responsibilities

As explained more fully in their statement set out on page 8 the Authorised Corporate Director is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

### The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities

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

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

Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS  
26 April 2024

## ACCOUNTING AND DISTRIBUTION POLICIES

### for the year ended 31 December 2023

#### 1. Accounting Policies

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

##### (A) BASIS OF ACCOUNTING

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

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

##### (B) RECOGNITION OF REVENUE

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

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

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

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

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

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

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

## ACCOUNTING AND DISTRIBUTION POLICIES continued

### (C) TREATMENT OF EXPENSES

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

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

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

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

### (E) TAXATION

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

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

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

### (F) BASIS OF VALUATION OF INVESTMENTS

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

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

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

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

## ACCOUNTING AND DISTRIBUTION POLICIES continued

### (G) EXCHANGE RATES

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

### (H) DILUTION LEVY

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

### (I) DIRECT TRANSACTION COSTS

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

## 2. Distribution Policies

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

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

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

## ACCOUNTING AND DISTRIBUTION POLICIES continued

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.

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND ACD'S REPORT

for the year ended 31 December 2023

### Important Information

Please refer to the Important Information section on page 4.

### Investment Objective and Policy

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

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

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

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

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

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

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

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

The Fund can invest across different industry sectors without limitation.

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

The Fund may use derivatives for efficient portfolio management purposes.

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

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND ACD'S REPORT continued

### Benchmark

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

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

### WAYSTONE MANAGEMENT (UK) LIMITED

ACD of WS Gresham House UK Multi Cap Income Fund  
26 April 2024



## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2023

#### Investment Strategy

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

The Fund's investment strategy leverages the Manager's core expertise in investing in small and mid-sized UK businesses, employing a sector agnostic approach. Due to volatility of earnings, the Manager avoids cyclical industries including banks, mining, and oil and gas. The Fund generally invests in companies which operate in structurally growing markets, supporting their capacity to grow earnings, generate cash, and pay sustainable and progressive dividends. The Manager follows a disciplined and repeatable investment process which utilises the wider Gresham House platform of research and investment professionals, as well as a network of entrepreneurs, business leaders and industry specialists. Following the acquisition of Gresham House by Searchlight Capital Partners, completed in December 2023, this network has gained additional depth and international scope.

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

#### Overview

Investors entered 2023 during a period of high and sustained inflation, rising interest rates, and depressed UK equity market valuations. In Q1 2023, the collapses of Silicon Valley Bank, Credit Suisse, and numerous US regional banks weighed heavily on market sentiment, driving UK equity market indices lower. Although fears of global banking contagion subsided in early Q2 2023, stock market gains were reversed in May and June as persistent UK inflation relative to other G20 economies led to the UK base rate surpassing 5% for the first time since 2008.

Market volatility continued into Q3 2023 as improved UK CPI data in July was counteracted by weaker PMI and consumer spending data in August. On 3 August 2023, the Bank of England raised the UK base rate to 5.25%, marking the highest level for 15 years. Thereafter, UK equity market performance was broadly flat as we entered Q4 2023, although markets received nascent disinflationary trends well. In October, news of geopolitical instability in the Middle East marked another iteration of negative sentiment, and UK markets fell. However, 2023 ended more positively; markets rose in November and December as global investors priced in expectations of falling interest rates in 2024.

During the period, UK equity market valuations – notably those of smaller companies – continued to lag global comparators, particularly those in the US. The Manager believes that the M&A dynamic which unfolded in 2023 provides evidence of asymmetry between UK stock market valuations and company fundamentals,

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT continued

particularly when considering smaller companies. The majority of M&A bids made during the period were valued at below £500m<sup>1</sup>, and despite a stark rise in the cost of debt, the average takeover premium grew to 52% compared to a five-year average of 40%. These pointers highlight the valuation discount presently applied to UK smaller companies as 2024 progresses.

Market conditions remain volatile and global circumstances uncertain, nevertheless the Manager is confident in the high-quality fundamentals and sustainable income characteristics of the portfolio regardless of broader economic or geopolitical developments. The Manager believes that the portfolio companies are led by experienced and capable management teams who pursue clear and effective growth strategies, often within structurally growing markets. Moreover, the Manager has conviction in the strong competitive positions and high barriers to entry generally characterising the Fund holdings. A combination of these factors underpins the Manager's confidence in the ability of portfolio companies to grow earnings, generate cash, and pay growing and sustainable dividends throughout the cycle.

In reflection of these fundamental characteristics, news flow across our portfolio companies was largely positive throughout 2023 despite challenging market conditions. During the period, c.90% of Fund's investee company updates were in-line or positive.

We remain highly selective and disciplined in our investment approach, seeking companies with attractive long-term fundamentals at sensible valuations.

#### Movements in Net Asset Value

During the period the gross NAV of the Fund increased from £387.6m<sup>2</sup> to £680.2m<sup>2</sup>, of which 89.8% was invested in UK equities – 68.7% in small and mid-cap and 19.8% in large cap. The increase in NAV was driven by an upwards revaluation of the portfolio of £50.2m, along with net inflows from shareholders amounting to £242.4m. The Fund delivered a positive return of 12.5% over the period (C Sterling Accumulation share class), outperforming the IA UK Equity Income sector, which returned 7.1%.

#### Investment Activity

Investment activity was steady during the period as inflows were predominantly deployed into follow-on investments into portfolio companies alongside new investments, totaling £258.8m across both. The number of portfolio companies remained at 41.

Examples of new investments include Brooks Macdonald, an investment management services provider which the Manager believes is a leading player in the fragmented wealth management sector, trading materially below precedent M&A transaction multiples. The Fund also made an initial investment in Integrafina, a UK leader in the adviser platform market, which the Manager believes trades at an attractive valuation, possesses high-quality financial characteristics, and is poised to benefit from long-term structural growth drivers in its market.

<sup>1</sup> Peel Hunt, 'UK M&A: accelerating pace of exits'.

<sup>2</sup> Based on 12pm Valuation Point.

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT continued

The Fund made selective follow-on investments into XPS Pensions Group, a pension and actuarial consultancy, which the Manager believes is a high-quality UK market leader and well positioned to capitalise on various industry tailwinds. Moreover, follow-on investments were made into B&M, a European discount retail store operator which the Manager believes has a strong market position and is executing effectively on its sustainable growth strategy to expand into new UK regions.

The Manager made four full exits during the period; including Currys (-1.3% CTR), following a deterioration in trading performance and a negative outlook for the Nordics business which impacted our investment thesis and triggered a full review of the holding. We note that since our full exit in early 2023, Currys' share price has deteriorated materially further and its final dividend cancelled.

We highlight additional full exits made during the period which followed takeover completions. The Fund's position in EMIS Group (2.5% CTR) was purchased by US healthcare group, UnitedHealth, and similarly, that in DWF Group (0.1% CTR) by UK private equity group, Inflexion. In December 2023, another two Fund holdings, Smart Metering Systems ('SMS') plc and Ten Entertainment Group, announced acquisitions by US private equity firms, KKR and Trive Capital respectively. As of year-end, SMS had contributed 0.8% to Fund performance during the period and Ten Entertainment, 1.3%. Both deals are expected to complete in 2024.

While the Fund is not explicitly positioned to benefit from private takeover activity, the Manager employs a private equity approach to investing in public markets; one which frequently aligns with major private equity houses driving M&A activity in the UK market. Particularly, the Manager shares a focus on resilient financial characteristics such as earnings visibility, high margins, and free cash flow generation, while also preferring structurally growing markets and leading competitive positions. These factors combine to provide sustainable income with the potential for capital growth.

In addition to full exits, the Fund partially divested its position in 3i Group to take profit after a period of strong performance. Indeed, this holding contributed c.2.5 percent points to total Fund performance in 2023, the most of any single portfolio company.

### Investment Performance

The Fund achieved a return of 12.5% (based on C Sterling Accumulation share class), ranking 3rd out of 75 in the IA UK Equity Income sector, ending the period as the top performing UK Equity Income Fund and the second least volatile in its peer group since its launch. The vast majority of portfolio companies continued to grow earnings, generate cash, and pay sustainable and progressive dividends, reflecting the Manager's long-term focus on businesses with high-quality fundamentals. Equally, Fund performance has benefited from the Manager's utilisation of an extensive network of investors, business leaders, and industry specialists constructed over many years. This network allows the Manager to validate new investment theses and proactively monitor developments affecting the existing portfolio with deeper analytical insight, creating enduring competitive advantage over peers.

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT continued

Key contributors to aggregate Fund performance were 3i Group (+2.5% CTR) following excellent FY23 results and a positive H1'24 update, demonstrating continued strong performance of its Action investment; XPS Pensions Group (+2.4% CTR) following a series of upgrades to analyst earnings forecasts; and Sabre Insurance (+1.6% CTR) as rising insurance premia drove upgrades to earnings forecasts following strong FY22 and H1'23 results.

Key detractors during the period were R&Q Insurance Holdings (-1.6% CTR) after the proposed sale of the company's Program Management business at a valuation materially below market expectations; Watkin Jones (-1.2% CTR) as the higher interest rate environment delayed forward sales of development projects; and Gresham House Energy Storage Fund (-0.9% CTR) where the gap between the share price and NAV widened as under-utilisation of battery energy storage systems (BESS) by the National Grid's Balancing Mechanism limited revenues. However, we note rollout of an enhanced Balancing Mechanism in December 2023 which is expected to materially increase battery storage utilisation, creating a significant earnings opportunity for the Gresham House Energy Storage Fund in 2024 and beyond.

#### Outlook

The Manager works under the assumption that geopolitical and macroeconomic uncertainties such as inflation, interest rates, and regional conflicts will continue to drive periods of market volatility in 2024. While present conditions are generating mispricing opportunities across the UK market – particularly in the field of smaller companies – the Manager is sharply focused on resilient businesses with high-quality fundamentals so as to avoid potential 'value traps'. Equally, it is the Manager's view that a prudent bottom-up investment approach mitigates risk by avoiding uncertain assumptions about broad macroeconomic and geopolitical factors. Regardless of these, the Manager believes the long-term capital growth and sustainable income potential of the portfolio is well underpinned by quality company management teams; clear strategies; structural market opportunities; strong competitive positions; and attractive financial characteristics.

The Manager expects M&A activity to remain a prominent feature of the UK market as long as equity valuations remain subdued. In the US and Europe, mid-to-large leveraged buyout firms are looking to offset the higher cost of debt by purchasing UK-listed businesses at discounts to intrinsic value. The evidence from 2023 suggests the private equity gaze is firmly fixed on UK smaller companies, where the discrepancy between trading multiples and company fundamentals is most stark. As the number of precedent M&A transactions grows, the Manager cautiously expects investors to bridge the gap between stock market valuations and UK company fundamentals. While this dynamic could drive a broader re-rating of UK equities, the Manager has actively positioned the Fund to grow earnings, generate cash, and pay sustainable and progressive dividends on an organic basis with no re-rating.

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT continued

INVESTMENT MANAGER'S REPORT continued

Another dynamic in the UK equity market which the Manager considers supportive of Fund performance over the coming year is the elevated level of buyback activity. These shareholder distributions are not occurring at the expense of investment in growth; rather we are seeing our portfolio companies return surplus capital to shareholders by buying back shares at depressed valuations. These buybacks have initiated a form of reverse compounding whereby share counts reduce, dividends per share increase, and dividend yields expand. As long as UK management teams continue to deem valuations materially lower than their estimates of intrinsic value, we expect this dynamic to keep delivering shareholder returns in 2024.

Note: Investments carry risks. Past performance is not a guide to future performance. Investors may not get back the amount invested.

### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Investment Manager

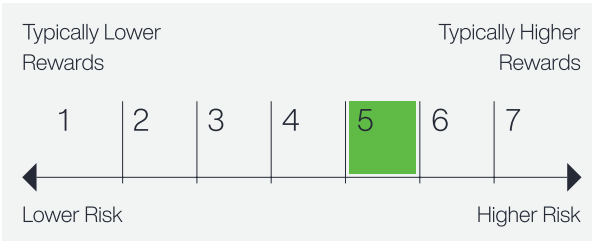
31 January 2024

# WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

## ACD'S REPORT continued

### FUND INFORMATION

#### Risk and Reward Profile



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. 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.

The Fund has been classed as 5 because its volatility has been measured as above average.

This may not be a reliable indication of the future risk profile of this fund.

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

**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.

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

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

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

**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 more information about the Fund's risks, please see the Risk Factors section of the Prospectus which is available at [www.waystone.com](http://www.waystone.com).

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables

##### F STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	154.19	165.62	130.84
Return before operating charges*	20.69	(10.39)	35.84
Operating charges	(1.04)	(1.04)	(1.06)
Return after operating charges	19.65	(11.43)	34.78
Distributions	(7.15)	(6.03)	(6.37)
Retained distributions on accumulation shares	7.15	6.03	6.37
Closing net asset value per share	173.84	154.19	165.62
* after direct transaction costs of:	0.41	0.51	0.73

##### PERFORMANCE

Return after charges	12.74%	(6.90)%	26.58%
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##### OTHER INFORMATION

Closing net asset value (£'000)	106,028	59,732	51,716
Closing number of shares	60,991,585	38,740,550	31,224,795
Operating charges	0.65%	0.67%	0.69%
Direct transaction costs	0.25%	0.33%	0.47%

##### PRICES

Highest share price	174.77	168.49	166.98
Lowest share price	152.50	141.48	132.20

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

#### F STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	124.34	138.96	114.32
Return before operating charges*	16.27	(8.78)	31.04
Operating charges	(0.83)	(0.86)	(0.92)
Return after operating charges	15.44	(9.64)	30.12
Distributions	(5.67)	(4.98)	(5.48)
Closing net asset value per share	134.11	124.34	138.96
* after direct transaction costs of:	0.32	0.42	0.63

#### PERFORMANCE

Return after charges	12.42%	(6.94)%	26.35%
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#### OTHER INFORMATION

Closing net asset value (£'000)	260,464	199,573	80,059
Closing number of shares	194,211,706	160,506,746	57,612,667
Operating charges	0.65%	0.67%	0.70%
Direct transaction costs	0.25%	0.33%	0.47%

#### PRICES

Highest share price	136.10	141.39	142.53
Lowest share price	118.76	115.10	115.53



## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

##### C STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	152.52	164.10	129.82
Return before operating charges*	20.46	(10.32)	35.57
Operating charges	(1.27)	(1.26)	(1.29)
Return after operating charges	19.19	(11.58)	34.28
Distributions	(7.07)	(5.96)	(6.31)
Retained distributions on accumulation shares	7.07	5.96	6.31
Closing net asset value per share	171.71	152.52	164.10
* after direct transaction costs of:	0.40	0.50	0.73

##### PERFORMANCE

Return after charges	12.58%	(7.06)%	26.41%
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##### OTHER INFORMATION

Closing net asset value (£'000)	147,493	75,025	45,004
Closing number of shares	85,897,684	49,189,317	27,425,514
Operating charges	0.80%	0.82%	0.85%
Direct transaction costs	0.25%	0.33%	0.47%

##### PRICES

Highest share price	172.63	166.94	165.44
Lowest share price	150.67	140.00	131.17

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

#### C STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	123.09	137.77	113.51
Return before operating charges*	16.10	(8.70)	30.81
Operating charges	(1.01)	(1.04)	(1.11)
Return after operating charges	15.09	(9.74)	29.70
Distributions	(5.61)	(4.94)	(5.44)
Closing net asset value per share	132.57	123.09	137.77
* after direct transaction costs of:	0.32	0.42	0.63

#### PERFORMANCE

Return after charges	12.26%	(7.07)%	26.17%
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#### OTHER INFORMATION

Closing net asset value (£'000)	93,647	47,994	25,998
Closing number of shares	70,640,923	38,991,663	18,870,892
Operating charges	0.80%	0.82%	0.85%
Direct transaction costs	0.25%	0.33%	0.47%

#### PRICES

Highest share price	134.53	140.17	141.38
Lowest share price	117.42	113.97	114.70

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

#### C EURO ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 € per share	31.12.22 <sup>1</sup> € per share
Opening net asset value per share	0.9235	1.0000
Return before operating charges*	0.1544	(0.0703)
Operating charges	(0.0074)	(0.0062)
Return after operating charges	0.1470	(0.0765)
Distributions	(0.0439)	(0.0334)
Retained distributions on accumulation shares	0.0439	0.0334
Closing net asset value per share	1.0705	0.9235
* after direct transaction costs of:	0.2484	0.2700

#### PERFORMANCE

Return after charges	15.92%	(7.65)%
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#### OTHER INFORMATION

Closing net asset value (£'000)	-	-
Closing number of shares	250	250
Operating charges	0.75%	0.75% <sup>2</sup>
Direct transaction costs	0.25%	0.33%

#### PRICES

Highest share price	1.0730	1.0374
Lowest share price	0.9283	0.8553

<sup>1</sup> From 21 February 2022.

<sup>2</sup> Annualised figure due to share class launched less than 1 year.

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

##### A STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 <sup>1</sup> pence per share
Opening net asset value per share	100.00
Return before operating charges*	11.42
Operating charges	(0.16)
Return after operating charges	11.26
Distributions	(1.09)
Retained distributions on accumulation shares	1.09
Closing net asset value per share	111.26
* after direct transaction costs of:	0.06

##### PERFORMANCE

Return after charges	11.26%
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##### OTHER INFORMATION

Closing net asset value (£'000)	64,724
Closing number of shares	58,171,664
Operating charges	0.64% <sup>2</sup>
Direct transaction costs	0.25%

##### PRICES

Highest share price	111.86
Lowest share price	97.61

<sup>1</sup> From 1 June 2023.

<sup>2</sup> Annualised figure due to share class launched less than 1 year.

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

##### A STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 <sup>1</sup> pence per share
Opening net asset value per share	100.00
Return before operating charges*	11.42
Operating charges	(0.16)
Return after operating charges	11.26
Distributions	(1.09)
Closing net asset value per share	110.17
* after direct transaction costs of:	0.06

##### PERFORMANCE

Return after charges	11.26%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,135
Closing number of shares	1,030,448
Operating charges	0.64% <sup>2</sup>
Direct transaction costs	0.25%

##### PRICES

Highest share price	111.86
Lowest share price	97.62

<sup>1</sup> From 1 June 2023.

<sup>2</sup> Annualised figure due to share class launched less than 1 year.

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

**Fund Performance to 31 December 2023 (%)**

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>
WS Gresham House UK Multi Cap Income Fund	12.47	31.77	62.52
IA UK Equity Income sector <sup>1</sup>	7.08	23.96	32.65

<sup>1</sup> Source: Morningstar Direct.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 55 to 59.

**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.

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT**  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	UNITED KINGDOM – 88.98% (31.12.22 – 84.39%)		
	TECHNOLOGY – 3.72% (31.12.22 – 6.05% <sup>1</sup> )		
	SOFTWARE AND COMPUTER SERVICES – 3.72% (31.12.22 – 6.05% <sup>1</sup> )		
8,247,961	Moneysupermarket.com	23,111	3.43
2,393,304	Vianet <sup>2</sup>	1,939	0.29
	TOTAL TECHNOLOGY	<u>25,050</u>	<u>3.72</u>
	TELECOMMUNICATIONS – 2.95% (31.12.22 – 2.69%)		
	TELECOMMUNICATIONS SERVICE PROVIDERS – 2.95% (31.12.22 – 2.69%)		
1,234,441	Telecom Plus	19,899	2.95
	TOTAL TELECOMMUNICATION	<u>19,899</u>	<u>2.95</u>
	HEALTH CARE – 7.73% (31.12.22 – 7.81%)		
	PHARMACEUTICALS AND BIOTECHNOLOGY – 7.73% (31.12.22 – 7.81%)		
363,626	Bioventix <sup>2</sup>	15,272	2.27
34,005,884	EKF Diagnostics <sup>2</sup>	10,678	1.59
1,796,022	GSK	26,046	3.87
	TOTAL HEALTH CARE	<u>51,996</u>	<u>7.73</u>

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	FINANCIALS – 37.02% (31.12.22 – 30.97%)		
	FINANCE AND CREDIT SERVICES – 4.00% (31.12.22 – 0.39%)		
1,534,903	Intermediate Capital	25,786	3.83
3,230,166	Orchard Funding <sup>2</sup>	1,131	0.17
		<u>26,917</u>	<u>4.00</u>
	INVESTMENT BANKING AND BROKERAGE SERVICES – 24.44% (31.12.22 – 20.23%)		
926,342	3i	22,418	3.33
10,237,698	Argentex <sup>2</sup>	8,804	1.30
628,016	Brooks MacDonald <sup>2</sup>	11,304	1.68
6,121,939	IntegraFin	18,500	2.74
2,498,468	Mattioli Woods <sup>2</sup>	15,241	2.26
7,262,342	Peel Hunt <sup>2</sup>	8,134	1.21
4,638,247	Schroders	19,940	2.96
2,216,168	Tatton Asset Management <sup>2</sup>	11,790	1.75
10,376,502	TP ICAP	20,193	3.00
12,163,178	XPS Pensions	28,340	4.21
		<u>164,664</u>	<u>24.44</u>
	CLOSED END INVESTMENTS – 3.10% (31.12.22 – 4.86%)		
8,353,975	Gresham House Energy Storage <sup>2,3,4</sup>	8,939	1.33
16,585,952	Hipgnosis Songs <sup>3</sup>	11,942	1.77
		<u>20,881</u>	<u>3.10</u>
	LIFE INSURANCE – 2.59% (31.12.22 – 3.02%)		
3,269,166	Phoenix	17,457	2.59
	NON-LIFE INSURANCE – 2.89% (31.12.22 – 2.47%)		
12,865,423	Sabre Insurance	19,453	2.89
	TOTAL FINANCIALS	<u>249,372</u>	<u>37.02</u>



**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	REAL ESTATE – 2.98% (31.12.22 – 3.68%)		
	REAL ESTATE INVESTMENT AND SERVICES DEVELOPMENT – 2.98% (31.12.22 – 3.68%)		
3,684,431	Belvoir Lettings <sup>2</sup>	9,395	1.39
3,145,314	Property Franchise <sup>2</sup>	10,694	1.59
	TOTAL REAL ESTATE	20,089	2.98
	CONSUMER DISCRETIONARY – 15.26% (31.12.22 – 14.24% <sup>1</sup> )		
	HOUSEHOLD GOODS AND HOME CONSTRUCTION – 1.21% (31.12.22 – 2.65%)		
13,979,834	Watkin Jones <sup>2</sup>	8,150	1.21
	MEDIA – 2.08% (31.12.22 – 1.89% <sup>1</sup> )		
2,994,235	Bloomsbury Publishing	14,013	2.08
	RETAILERS – 6.10% (31.12.22 – 6.37%)		
4,218,299	B&M European Value Retail	23,631	3.51
8,791,617	Halfords	17,521	2.59
		41,152	6.10
	TRAVEL AND LEISURE – 5.87% (31.12.22 – 3.33%)		
5,482,069	Domino's Pizza	20,657	3.07
4,575,014	Ten Entertainment	18,849	2.80
		39,506	5.87
	TOTAL CONSUMER DISCRETIONARY	102,821	15.26

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	CONSUMER STAPLES – 2.03% (31.12.22 – 2.25%)		
	FOOD PRODUCERS – 2.03% (31.12.22 – 2.25%)		
10,085,837	Premier Foods	13,676	2.03
	TOTAL CONSUMER STAPLES	13,676	2.03
	INDUSTRIALS – 16.60% (31.12.22 – 15.61% <sup>5</sup> )		
	CONSTRUCTION AND MATERIALS – 2.59% (31.12.22 – 3.04%)		
5,266,120	Balfour Beatty	17,441	2.59
	INDUSTRIAL SUPPORT SERVICES – 14.01% (31.12.22 – 12.57% <sup>5</sup> )		
4,278,580	Alpha Financial Markets Consulting <sup>2</sup>	16,687	2.48
12,076,408	FRP Advisory <sup>2</sup>	16,424	2.44
1,138,693	Mears	3,530	0.52
3,745,598	Ricardo	18,354	2.73
6,718,662	RWS Holdings <sup>2</sup>	16,850	2.50
2,392,037	Smart Metering Systems <sup>2</sup>	22,485	3.34
	TOTAL INDUSTRIALS	111,771	16.60
	ENERGY – 0.69% (31.12.22 – 1.09% <sup>5</sup> )		
	ALTERNATIVE ENERGY – 0.69% (31.12.22 – 1.09% <sup>5</sup> )		
6,445,494	Inspired <sup>2</sup>	4,641	0.69
	TOTAL ENERGY	4,641	0.69
	TOTAL UNITED KINGDOM	599,315	88.98
	BERMUDA – 0.21% (31.12.22 – 1.29%)		
14,790,496	R&Q Insurance <sup>2</sup>	1,405	0.21

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	GUERNSEY – 1.30% (31.12.22 – 2.36%)		
26,515,221	Duke Royalty <sup>2</sup>	8,750	1.30
	Portfolio of investments	609,470	90.49
	Net other assets	64,021	9.51
	Net assets	673,491	100.00

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

<sup>1</sup> The comparative figure has been restated to match the current period presentation. Moneysupermarket.com has been reclassified from Media to Software and Computer Services.

<sup>2</sup> Quoted on the Alternative Investment Market (AIM).

<sup>3</sup> Closed end fund.

<sup>4</sup> Related party holding (see note 11).

<sup>5</sup> The comparative figure has been restated to match the current period presentation. Inspired has been reclassified from Industrial Support Services to Alternative Energy.

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### ACD'S REPORT continued

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2023

Total purchases for the year £'000 (note 15)	261,378	Total sales for the year £'000 (note 15)	37,292
Major purchases	Cost £'000	Sales	Proceeds £'000
Intermediate Capital	22,532	EMIS	15,182
RWS Holdings	19,222	DWF	13,870
IntegraFin	14,489	3i	4,598
Brooks MacDonald	12,716	Currys	3,105
GSK	12,244	AssetCo	537
Telecom Plus	11,991		
Alpha Financial Markets Consulting	10,047		
Ten Entertainment	9,165		
Ricardo	8,747		
Schroders	8,626		

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

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**  
for the year ended 31 December 2023

	Notes	£'000	31.12.23 £'000	£'000	31.12.22 £'000
Income:					
Net capital gains/(losses)	3		48,804		(25,531)
Revenue	4	21,039		11,621	
Expenses	5	<u>(3,278)</u>		<u>(2,099)</u>	
Net revenue before taxation		17,761		9,522	
Taxation	6	<u>(153)</u>		<u>(43)</u>	
Net revenue after taxation			<u>17,608</u>		<u>9,479</u>
<b>Total return before distributions</b>			<u>66,412</u>		<u>(16,052)</u>
Distributions	7		<u>(20,886)</u>		<u>(11,578)</u>
<b>Change in net assets attributable to shareholders from investment activities</b>			<u>45,526</u>		<u>(27,630)</u>

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
for the year ended 31 December 2023

	£'000	31.12.23 £'000	£'000	31.12.22 £'000
Opening net assets attributable to shareholders		382,324		202,777
Amounts receivable on issue of shares	296,545		245,259	
Amounts payable on redemption of shares	<u>(59,740)</u>		<u>(42,902)</u>	
		236,805		202,357
Change in net assets attributable to shareholders from investment activities		45,526		(27,630)
Retained distributions on Accumulation shares		<u>8,836</u>		<u>4,820</u>
<b>Closing net assets attributable to shareholders</b>		<u>673,491</u>		<u>382,324</u>

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**BALANCE SHEET**  
as at 31 December 2023

	Notes	31.12.23 £'000	31.12.22 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		609,470	336,579
<b>Current assets</b>			
Debtors	8	3,290	1,969
Cash and bank balances	9	73,718	48,175
<b>Total assets</b>		<u>686,478</u>	<u>386,723</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Distribution payable	10	(3,343)	(2,173)
Other creditors	10	(9,644)	(2,226)
<b>Total liabilities</b>		<u>(12,987)</u>	<u>(4,399)</u>
<b>Net assets attributable to shareholders</b>		<u>673,491</u>	<u>382,324</u>

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### 1. Accounting Policies

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

### 2. Distribution Policies

The distribution policies described on pages 18 and 19 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to this Fund.

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

### 3. Net Capital Gains/(Losses)

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

	31.12.23 £'000	31.12.22 £'000
Non-derivative securities	48,806	(25,524)
Transaction charges	(2)	(7)
Net capital gains/(losses)	<u>48,804</u>	<u>(25,531)</u>

### 4. Revenue

	31.12.23 £'000	31.12.22 £'000
Non-taxable dividends	19,332	11,189
UK property income distributions	-	77
Interest on debt securities	-	162
Bank interest	1,707	193
Total revenue	<u>21,039</u>	<u>11,621</u>

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

## 5. Expenses

	31.12.23 £'000	31.12.22 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	3,043	1,908
Legal and professional fees	13	13
Typesetting costs	4	3
Registration fees	100	86
	3,160	2,010
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	85	64
Safe custody and other bank charges	23	15
	108	79
Other expenses:		
Audit fees	10	9
Others	–	1
	10	10
Total expenses	<u>3,278</u>	<u>2,099</u>

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

## 6. Taxation

	31.12.23 £'000	31.12.22 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	153	43
Current tax charge	153	43
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	<u>153</u>	<u>43</u>



## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

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%) (31.12.22: 20%). The difference is explained below:

	31.12.23 £'000	31.12.22 £'000
Net revenue before taxation	17,761	9,522
Corporation tax at 20%	3,552	1,904
Effects of:		
Non-taxable dividends	(3,866)	(2,238)
Prior year adjustment	–	1
Unutilised excess management expenses	314	333
Corporation tax charge	–	–
Overseas tax	153	43
Total tax charge (note 6a)	153	43

c) Deferred tax

At the year end there is a potential deferred tax asset of £869,000 (31.12.22: £555,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 7. Distributions

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

	31.12.23 £'000	31.12.22 £'000
First Interim	4,307	2,101
Second Interim	4,977	2,896
Third Interim	6,543	4,051
Final	6,344	3,346
	22,171	12,394

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

	31.12.23 £'000	31.12.22 £'000
Add: Revenue deducted on redemption of shares	293	238
Deduct: Revenue received on issue of shares	(1,578)	(1,054)
Net distributions for the year	<u>20,886</u>	<u>11,578</u>

Details of the distributions per share are set out in the table on pages 55 to 59.

	31.12.23 £'000	31.12.22 £'000
Distributions represented by:		
Net revenue after taxation	17,608	9,479
Allocations to capital:		
Expenses	<u>3,278</u>	<u>2,099</u>
Net distributions for the year	<u>20,886</u>	<u>11,578</u>

## 8. Debtors

	31.12.23 £'000	31.12.22 £'000
Amounts receivable for issue of shares	1,542	1,001
Accrued revenue:		
Non-taxable dividends	<u>1,748</u>	<u>968</u>
Total debtors	<u>3,290</u>	<u>1,969</u>

## 9. Cash and Bank Balances

	31.12.23 £'000	31.12.22 £'000
Bank balances	<u>73,718</u>	<u>48,175</u>
Total cash and bank balances	<u>73,718</u>	<u>48,175</u>

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

## 10. Creditors

	31.12.23 £'000	31.12.22 £'000
Distribution payable	3,343	2,173
<b>Other Creditors</b>		
Amounts payable for redemption of shares	322	1,369
Purchases awaiting settlement	8,929	617
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	354	209
Legal and professional fees	1	1
Typesetting costs	3	2
Registration fees	8	9
	366	221
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	9	6
Transaction charges	1	1
Safe custody and other bank charges	6	3
	16	10
Other expenses	11	9
Total other creditors	9,644	2,226

## 11. Related Party Transactions

The Annual Management Charge and legal and professional fees payable to Waystone Management (UK) Limited ('WMUK') ('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.

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

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 42 and amounts due at the year end are disclosed in notes 8 and 10.

WMUK which is a related party of the Investment Manager held 44,102 (31.12.22: 31,928) of the Fund's shares at the balance sheet date.

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

Clearstream Banking 28.68% (31.12.22: 33.88%)

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

	31.12.23 £'000	31.12.22 £'000
Investment Manager in common	8,939	9,026

## 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.12.22: none).

## 13. Shares in Issue

	F Sterling Accumulation	F Sterling Income	C Sterling Accumulation	C Sterling Income
Annual Management Charge	0.60%	0.60%	0.75%	0.75%
Opening shares in issue	38,740,550	160,506,746	49,189,317	38,991,663
Issues	28,461,941	49,908,360	44,822,834	44,396,283
Redemptions	(6,223,859)	(15,881,875)	(8,045,308)	(13,142,081)
Conversions	12,953	(321,525)	(69,159)	395,058
Closing shares in issue	<u>60,991,585</u>	<u>194,211,706</u>	<u>85,897,684</u>	<u>70,640,923</u>

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

	C Euro Accumulation	A Sterling Accumulation	A Sterling Income
Annual Management Charge	0.75%	0.60%	0.60%
Opening shares in issue	250	-	-
Issues	-	58,494,657	1,036,363
Redemptions	-	(322,993)	(5,915)
Conversions	-	-	-
Closing shares in issue	<u>250</u>	<u>58,171,664</u>	<u>1,030,448</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 Investment Manager to the Fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

##### (A) CREDIT RISK

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

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

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

#### (B) INTEREST RATE RISK

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

The Fund takes on interest rate risk within its investment portfolio where the ACD and Investment Manager believe that the expected return compensates for the overall risk. The ACD and Investment Manager continue to monitor the level of interest rate risk posed by the Fund's underlying investments on a regular basis. The Fund may also indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no significant direct exposure to interest rate risk, no 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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

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

#### (D) LEVERAGE

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

#### (E) LIQUIDITY RISK

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

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 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

Based on this analysis 25.31% of the portfolio can be liquidated within 5 days and 45.54% within 21 working days (31.12.22: 28.40% within 5 days and 44.71% within 21 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 £30,474,000 (31.12.22: £16,829,000). A 5% decrease would have an equal and opposite effect.

**(G) DERIVATIVES**

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

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

#### 15. Portfolio Transaction Costs

31.12.23	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	251,656	419	742	252,817
Collective investment schemes	8,552	9	–	8,561
Purchases total	<u>260,208</u>	<u>428</u>	<u>742</u>	<u>261,378</u>
Transaction cost % of purchases total		0.16%	0.29%	
Transaction cost % of average NAV		0.09%	0.16%	
Ordinary shares	37,303	(11)	–	37,292
Sales total	<u>37,303</u>	<u>(11)</u>	<u>–</u>	<u>37,292</u>
Transaction cost % of sales total		0.03%	–	
Transaction cost % of average NAV		–	–	

Average portfolio dealing spread at 31.12.23 is 1.19% (31.12.22: 1.35%).



**WS GRESHAM HOUSE UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.12.22</b>				
Ordinary shares	205,616	358	537	206,511
Collective investment schemes	12,734	20	2	12,756
Debt securities	97	-	-	97
Purchases total	<u>218,447</u>	<u>378</u>	<u>539</u>	<u>219,364</u>
Transaction cost % of purchases total		0.17%	0.25%	
Transaction cost % of average NAV		0.13%	0.18%	
Ordinary shares	34,452	(46)	-	34,406
Collective investment schemes	1,499	-	-	1,499
Sales total	<u>35,951</u>	<u>(46)</u>	<u>-</u>	<u>35,905</u>
Transaction cost % of sales total		0.13%	-	
Transaction cost % of average NAV		0.02%	-	

The collective investment schemes include closed end funds.

## 16. Fair Value Hierarchy

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31.12.23</b>				
Investment assets	<u>600,531</u>	<u>8,939</u>	<u>-</u>	<u>609,470</u>
<b>31.12.22</b>				
Investment assets	<u>327,553</u>	<u>9,026</u>	<u>-</u>	<u>336,579</u>

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS continued

### DISTRIBUTION TABLE

for the year ended 31 December 2023 – per share

#### EQUALISATION

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

Group 2	First Interim	Second Interim	Third Interim	Final
From	01.01.23	01.04.23	01.07.23	01.10.23
To	31.03.23	30.06.23	30.09.23	31.12.23

#### F STERLING ACCUMULATION SHARES

First Interim	Net Revenue	Equalisation	Allocated 31.05.23	Allocated 31.05.22
Group 1	1.6594	–	1.6594	1.2792
Group 2	0.9398	0.7196	1.6594	1.2792

Second Interim	Net Revenue	Equalisation	Allocated 31.08.23	Allocated 31.08.22
Group 1	1.7871	–	1.7871	1.5842
Group 2	0.6113	1.1758	1.7871	1.5842

Third Interim	Net Revenue	Equalisation	Allocated 30.11.23	Allocated 30.11.22
Group 1	2.0822	–	2.0822	1.8211
Group 2	1.5766	0.5056	2.0822	1.8211

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	1.6211	–	1.6211	1,3412
Group 2	0.3636	1.2575	1.6211	1,3412

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS continued

### DISTRIBUTION TABLE continued

#### F STERLING INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 31.05.23	Paid 31.05.22
Group 1	1.3387	–	1.3387	1.0748
Group 2	0.7233	0.6154	1.3387	1.0748

Second Interim	Net Revenue	Equalisation	Paid 31.08.23	Paid 31.08.22
Group 1	1.4261	–	1.4261	1.3188
Group 2	0.6409	0.7852	1.4261	1.3188

Third Interim	Net Revenue	Equalisation	Paid 30.11.23	Paid 30.11.22
Group 1	1.6435	–	1.6435	1.4999
Group 2	1.0116	0.6319	1.6435	1.4999

Final	Net Revenue	Equalisation	Payable 29.02.24	Paid 28.02.23
Group 1	1.2616	–	1.2616	1.0914
Group 2	0.8830	0.3786	1.2616	1.0914

#### C STERLING ACCUMULATION SHARES

First Interim	Net Revenue	Equalisation	Allocated 31.05.23	Allocated 31.05.22
Group 1	1.6412	–	1.6412	1.2648
Group 2	0.7755	0.8657	1.6412	1.2648

Second Interim	Net Revenue	Equalisation	Allocated 31.08.23	Allocated 31.08.22
Group 1	1.7667	–	1.7667	1.5686
Group 2	0.6843	1.0824	1.7667	1.5686

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS continued

### DISTRIBUTION TABLE continued

Third Interim	Net Revenue	Equalisation	Allocated 30.11.23	Allocated 30.11.22
Group 1	2.0584	-	2.0584	1.8024
Group 2	1.2574	0.8010	2.0584	1.8024
Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	1.6017	-	1.6017	1.3270
Group 2	0.6881	0.9136	1.6017	1.3270

### C STERLING INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 31.05.23	Paid 31.05.22
Group 1	1.3247	-	1.3247	1.0649
Group 2	0.7165	0.6082	1.3247	1.0649
Second Interim	Net Revenue	Equalisation	Paid 31.08.23	Paid 31.08.22
Group 1	1.4107	-	1.4107	1.3067
Group 2	0.6921	0.7186	1.4107	1.3067
Third Interim	Net Revenue	Equalisation	Paid 30.11.23	Paid 30.11.22
Group 1	1.6237	-	1.6237	1.4852
Group 2	1.1050	0.5187	1.6237	1.4852
Final	Net Revenue	Equalisation	Payable 29.02.24	Paid 28.02.23
Group 1	1.2473	-	1.2473	1.0804
Group 2	0.7224	0.5249	1.2473	1.0804

## WS GRESHAM HOUSE UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS continued

### DISTRIBUTION TABLE continued

#### C EURO ACCUMULATION SHARES

	Net Revenue	Equalisation	Allocated 31.05.23	Allocated 31.05.22
<b>First Interim</b>				
Group 1	1.0000	–	1.0000	0.5000
Group 2	1.0000	0.0000	1.0000	0.5000
<b>Second Interim</b>				
Group 1	1.1040	–	1.1040	0.9480
Group 2	1.1040	0.0000	1.1040	0.9480
<b>Third Interim</b>				
Group 1	1.2800	–	1.2800	1.1000
Group 2	1.2800	0.0000	1.2800	1.1000
<b>Final</b>				
Group 1	1.0120	–	1.0120	0.7920
Group 2	1.0120	0.0000	1.0120	0.7920

#### A STERLING ACCUMULATION SHARES<sup>1</sup>

There were no interim distributions for the A Sterling Accumulation share class in the current year.

	Net Revenue	Equalisation	Allocation 29.02.24
<b>Final</b>			
Group 1	1.0946	–	1.0946
Group 2	0.5614	0.5332	1.0946

<sup>1</sup> No comparative figures as the share class was launched on 1 June 2023.

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

**A STERLING INCOME SHARES<sup>1</sup>**

There were no interim distributions for the A Sterling Income share class in the current year.

Final	Net Revenue	Equalisation	Payable 29.02.24
Group 1	1.0944	-	1.0944
Group 2	0.3133	0.7811	1.0944

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<sup>1</sup> No comparative figures as the share class was launched on 1 June 2023.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND ACD'S REPORT

for the year ended 31 December 2023

### Important Information

Please refer to the Important Information section on page 4.

### Investment Objective and Policy

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

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

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

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

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

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND 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 benchmark for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. The comparator benchmark has been selected as the ACD considers it assists investors in evaluating the Fund's performance against the performance of other funds invested in similar assets. The Fund is not constrained by the comparator benchmark and may take positions that differ significantly from the comparator benchmark.

### WAYSTONE MANAGEMENT (UK) LIMITED

ACD of WS Gresham House UK Smaller Companies Fund  
26 April 2024



# WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

## ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT

#### for the year ended 31 December 2023

#### Investment Strategy

The Fund was launched on 1 February 2019 with a focus on selecting high conviction, niche growth companies to back for the prospect of long-term capital growth.

The Manager focuses on areas of structural growth opportunity and avoids cyclical industries including banks, mining, and oil and gas due to volatility of earnings and ESG considerations. The Manager utilises the wider Gresham House platform of research and investment professionals, as well as a network of entrepreneurs, business leaders and industry specialists, to gain a competitive edge over peers in uncovering and analysing UK small-cap stocks which may be below the radar of many investors due to their size and limited research coverage.

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

#### Overview

Investors entered 2023 during a period of high and sustained inflation, rising interest rates, and depressed UK equity market valuations. In Q1 2023, the collapses of Silicon Valley Bank, Credit Suisse, and numerous US regional banks weighed heavily on market sentiment, driving UK equity market indices lower. Although fears of global banking contagion subsided in early Q2 2023, stock market gains were reversed in May and June as persistent UK inflation relative to other G20 economies led to the UK base rate surpassing 5% for the first time since 2008.

Market volatility continued into Q3 2023 improved UK CPI data in July was counteracted by weaker PMI and consumer spending data in August. On 3 August 2023, the Bank of England raised the UK base rate to 5.25%, marking the highest level for 15 years. Thereafter, UK equity market performance was broadly flat as we entered Q4 2023, although markets received nascent disinflationary trends well. In October, news of geopolitical instability in the Middle East marked another iteration of negative sentiment, and UK markets fell. However, 2023 ended more positively; markets rose in November and December as global investors priced in expectations of falling interest rates in 2024.

During the period, UK equity market valuations – notably those of smaller companies – continued to lag global comparators, particularly those in the US. The Manager believes that the M&A dynamic which unfolded in 2023 provides evidence of asymmetry between UK stock market valuations and company fundamentals, particularly when considering smaller companies. The majority of M&A bids made during the period were valued at below £500m<sup>1</sup>, and despite a stark rise in the cost of debt, the average takeover premium grew to 52% compared to a five-year average of 40%. These pointers highlight the valuation discount presently applied to UK smaller companies as we enter 2024.

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<sup>1</sup> Peel Hunt, 'UK M&A: accelerating pace of exits'.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT continued

Market conditions remain volatile and global circumstances uncertain, nevertheless the Manager is confident in the high-quality fundamentals of the portfolio regardless of broader economic or geopolitical developments. The Manager believes that the portfolio companies are led by experienced and capable management teams who pursue clear and effective growth strategies, often within structurally growing markets. Moreover, the Manager has conviction in the strong competitive positions and high barriers to entry generally characterising the Fund holdings. A combination of these factors underpins the Manager's confidence in the ability of portfolio companies to grow earnings and generate cash throughout the cycle.

In reflection of these fundamental characteristics, news flow across our portfolio companies was largely positive throughout 2023 despite challenging market conditions. During the period, c.85% of the Fund's investee company updates were in-line or positive.

We remain highly selective and disciplined in our investment approach, seeking companies with attractive long-term fundamentals at sensible valuations.

#### Movements in Net Asset Value

As at 31 December 2023 the gross NAV of the Fund was £118.6m<sup>2</sup>, of which 90.5% was invested in UK equities. This compared to a NAV of £65.9m<sup>2</sup> at the beginning of the period. The increase in NAV was primarily due to net inflows from shareholders amounting to £47.2m and a revaluation of the portfolio of £5.5m. The Fund generated a capital return of 7.3% over the period (based on 'C' Sterling Accumulation share class) compared to the IA UK Smaller Companies sector which returned a 0.4%.

#### Investment Activity

Investment activity was material during the period with the team deploying a total of £64.1m. The number of portfolio companies remained at 40. There were 11 full exits, three due to takeovers, replaced by 11 new investments alongside selective follow-on investments made into existing portfolio companies. The majority of the Fund's holdings are in companies where the Manager has extensive knowledge and experience built up over many years.

Examples of new investments include Trustpilot, a technology business offering free and paid services to companies across its unique consumer-review platform, with significant future growth potential across its scalable software-as-a-service (SaaS) model; Gamma Communications, a leading provider of business critical, cloud-based telephony and voice-enablement products and services, trading at a low valuation despite the Manager's conviction in its significant earnings growth opportunity; and Spire Healthcare, the largest UK private hospital group by revenue, which the Manager believes will continue to execute on its strategy to grow profit per site through operational improvements, new site rollout, and capitalising on strong demand due to NHS waiting lists.

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<sup>2</sup> Based on 12pm Valuation Point.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT continued

The Manager fully exited positions when the initial investment thesis was fundamentally changed in light of new information and developments. Examples include Liontrust Asset Management (-0.8% CTR) where the Manager believed large and sustained outflows, combined with the proposed acquisition of GAM Investments, significantly increased the risk profile of the investment; and Devolver (-2.0% CTR), following a period of underperformance post-IPO against an increasingly competitive market backdrop, alongside heightened investment in game development.

There have been several full exits due to takeover activity including Medica Group (+1.3% CTR) following a completed acquisition by European private equity firm, IK Partners; EMIS Group (+2.3% CTR), which was purchased by US healthcare group, UnitedHealth; DWF Group (+0.5% CTR) which was bought by UK private equity group, Inflexion; Devro (+2.2% CTR) which was acquired by Saria, a German food manufacturer; and Kape Technologies (-0.8% CTR) which was bought by Unikmind.

While the Fund is not explicitly positioned to benefit from private takeover activity, the Manager employs a private equity approach to investing in public markets; one which frequently aligns with private equity houses driving M&A activity in the UK market. Particularly, the Manager shares a focus on resilient financial characteristics such as earnings visibility, high margins, and free cash flow generation, while also preferring structurally growing markets and leading competitive positions. In 2023, this alignment in investment philosophy was an important driver of Fund performance, although the Manager evaluates portfolio companies and investment opportunities based on their potential for long-term capital growth over many years, not the likelihood of short-term takeover.

#### Investment Performance

The Fund was placed 4th out of 48 in the IA UK Smaller Companies sector delivering a return of 7.3% at 31 December 2023 (based on the 'C' Sterling Accumulation share class); outperforming the IA UK Smaller Companies sector which returned a 0.4%. In a period of heightened market volatility the Fund showed resilience against a challenging macro backdrop, where small-cap UK stocks have materially de-rated.

Key contributors to aggregate Fund performance during the period were XPS Pensions Group (+2.4% CTR) following a series of upgrades to analyst earnings forecasts after persistently strong operational performance throughout the year; Medica Group (+1.8% CTR) following private takeover by IK partners at a 32.5% premium to the prior day closing share price; and Moneysupermarket (+1.4% CTR) following strong operational performance throughout the year leading to upgraded analyst earnings forecast, driven by continued strength in the insurance and travel price comparison channels.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### INVESTMENT MANAGER'S REPORT continued

Key detractors to aggregate Fund performance during the period were Team17 Group (-2.1% CTR) due to a significant and unexpected profit warning, driven by weakness within its core Games Label, which included a one-off £11mn impairment charge; R&Q Insurance Holdings (-1.7% CTR) following the proposed sale of the company's Program Management, or "Accredited", business for a valuation significantly below market expectations; and Restore (-1.4% CTR) following successive profit warnings and management change. In the case of Team17, following a subsequent review in December, the Manager believes the long-term fundamentals of the business remain strong and that the reduced share price offered an attractive opportunity to add to the Fund's position. In the case of Restore, the Fund fully divested of its position as the Manager believed the company's expansion into adjacent services exposed the business to more cyclical end-markets, weakening the earnings quality of the Group.

### Outlook

The Manager works under the assumption that geopolitical and macroeconomic uncertainties such as inflation, interest rates, and regional conflicts will continue to drive periods of market volatility in 2024. While present conditions are generating mispricing opportunities across the UK market – particularly in the field of smaller companies – the Manager is sharply focused on resilient businesses with high-quality fundamentals so as to avoid potential 'value traps'. Equally, it is the Manager's view that a prudent bottom-up investment approach mitigates risk by avoiding uncertain assumptions about broad macroeconomic and geopolitical factors. Regardless of these, the Manager believes the long-term capital growth potential of the portfolio is well underpinned by quality company management teams; clear strategies; structural market opportunities; strong competitive positions; and attractive financial characteristics.

The Manager expects M&A activity to remain a prominent feature of the UK market as long as equity valuations remain subdued. In the US and Europe, mid-to-large leveraged buyout firms are looking to offset the higher cost of debt by purchasing UK-listed businesses at discounts to intrinsic value. The evidence from 2023 suggests the private equity gaze is firmly fixed on UK smaller companies, where the discrepancy between trading multiples and company fundamentals is most stark. As the number of precedent M&A transactions grows, the Manager cautiously expects investors to bridge the gap between stock market valuations and UK company fundamentals. While this dynamic could drive a broader re-rating of UK equities, the Manager has actively positioned the Fund to meet its stated mandate through organic earnings growth and cash generation with no expected re-rating from currently depressed levels.

The Manager also welcomes the increasing momentum and a building consensus behind proposals to reform government policy towards UK equity markets, especially at the smaller end of the market cap spectrum. In 2023, low liquidity in smaller UK quoted companies has suppressed valuations, often despite evidence of strong earnings performance and strategic progress. Broad-based support for a British ISA and reforms to

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

ACD'S REPORT continued

INVESTMENT MANAGER'S REPORT continued

UK listing rules under the Mansion House compact represent potential routes to attracting more capital to the UK market. These measures would not only provide a material uplift to valuations but would also support the ability of UK companies to invest in the domestic economy, create new jobs, and bolster economic growth over the longer term.

Note: Investments carry risks. Past performance is not a guide to future performance. Investors may not get back the amount invested.

### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Investment Manager

31 January 2024

# WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

## ACD'S REPORT continued

### FUND INFORMATION

#### Risk and Reward Profile



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

The Fund has been classed as 6 because its volatility has been measured as above average to high.

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

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

**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.

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

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

For more information about the Fund's risks, please see the Risk Factors section of the Prospectus which is available at [www.waystone.com](http://www.waystone.com).

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables

##### C STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	147.52	174.83	138.98
Return before operating charges*	11.92	(25.79)	38.01
Operating charges	(1.49)	(1.52)	(2.16)
Return after operating charges	10.43	(27.31)	35.85
Distributions	(2.77)	(2.27)	(1.20)
Retained distributions on accumulation shares	2.77	2.27	1.20
Closing net asset value per share	157.95	147.52	174.83
* after direct transaction costs of:	0.42	0.70	2.39

##### PERFORMANCE

Return after charges	7.07%	(15.62)%	25.80%
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##### OTHER INFORMATION

Closing net asset value (£'000)	48,810	28,743	19,565
Closing number of shares	30,902,185	19,483,526	11,191,088
Operating charges	1.00% <sup>1</sup>	1.00% <sup>1</sup>	1.30% <sup>1</sup>
Direct transaction costs	0.28%	0.46%	1.44%

##### PRICES

Highest share price	159.88	177.79	183.25
Lowest share price	138.95	136.86	139.69

<sup>1</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 1.00% is not exceeded.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

##### C STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	143.12	172.20	137.78
Return before operating charges*	11.62	(25.34)	37.27
Operating charges	(1.46)	(1.50)	(1.68)
Return after operating charges	10.16	(26.84)	35.59
Distributions	(2.71)	(2.24)	(1.17)
Closing net asset value per share	150.57	143.12	172.20
* after direct transaction costs of:	0.41	0.69	2.37

##### PERFORMANCE

Return after charges	7.10%	(15.59)%	25.83%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,853	1	102
Closing number of shares	1,230,462	740	58,998
Operating charges	1.01% <sup>1</sup>	1.00% <sup>1</sup>	1.02% <sup>1</sup>
Direct transaction costs	0.28%	0.46%	1.44%

##### PRICES

Highest share price	155.15	175.14	181.66
Lowest share price	134.85	134.84	138.46

<sup>1</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 1.00% is not exceeded.



## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

#### C EURO ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 € per share	31.12.22 <sup>1</sup> € per share
Opening net asset value per share	0.8645	1.0000
Return before operating charges*	0.0971	(0.1354)
Operating charges	(0.0081)	(0.0001)
Return after operating charges	0.0890	(0.1355)
Distributions	(0.0216)	(0.0171)
Retained distributions on accumulation shares	0.0216	0.0171
Closing net asset value per share	0.9535	0.8645
* after direct transaction costs of:	0.2500	-

#### PERFORMANCE

Return after charges	10.29%	(13.55)%
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#### OTHER INFORMATION

Closing net asset value (£'000)	-	-
Closing number of shares	250	250
Operating charges	0.90% <sup>3</sup>	0.91% <sup>2,3</sup>
Direct transaction costs	0.28%	0.46% <sup>2</sup>

#### PRICES

Highest share price	0.9570	0.9944
Lowest share price	0.8321	0.8110

<sup>1</sup>From 21 February 2022.

<sup>2</sup> Annualised figure due to share class launched less than 1 year.

<sup>3</sup> The Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 1.00% is not exceeded.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

#### F STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 <sup>1</sup> pence per share
Opening net asset value per share	89.37	105.45	100.00
Return before operating charges*	7.25	(15.62)	5.78
Operating charges	(0.45)	(0.46)	(0.33)
Return after operating charges	6.80	(16.08)	5.45
Distributions	(2.14)	(1.83)	(1.30)
Retained distributions on accumulation shares	2.14	1.83	1.30
Closing net asset value per share	96.17	89.37	105.45
* after direct transaction costs of:	0.26	0.42	0.96

#### PERFORMANCE

Return after charges	7.61%	(15.25)%	5.45%
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#### OTHER INFORMATION

Closing net asset value (£'000)	55,758	30,162	16,622
Closing number of shares	57,978,733	33,748,437	15,763,176
Operating charges	0.50% <sup>3</sup>	0.50% <sup>3</sup>	0.50% <sup>2,3</sup>
Direct transaction costs	0.28%	0.46%	2.25% <sup>2</sup>

#### PRICES

Highest share price	96.90	107.24	110.28
Lowest share price	84.53	82.83	99.89

<sup>1</sup> From 13 May 2021.

<sup>2</sup> Annualised figure due to share class launched less than 1 year.

<sup>3</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 0.50% is not exceeded.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Comparative Tables continued

#### F STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 <sup>1</sup> pence per share
Opening net asset value per share	86.49	104.16	100.00
Return before operating charges*	7.04	(15.40)	5.83
Operating charges	(0.44)	(0.46)	(0.34)
Return after operating charges	6.60	(15.86)	5.49
Distributions	(2.07)	(1.81)	(1.33)
Closing net asset value per share	91.02	86.49	104.16
* after direct transaction costs of:	0.25	0.42	0.96

#### PERFORMANCE

Return after charges	7.63%	(15.23)%	5.49%
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#### OTHER INFORMATION

Closing net asset value (£'000)	11,206	6,574	2,266
Closing number of shares	12,310,227	7,600,326	2,175,729
Operating charges	0.50% <sup>3</sup>	0.50% <sup>3</sup>	0.51% <sup>2,3</sup>
Direct transaction costs	0.28%	0.46%	2.25% <sup>2</sup>

#### PRICES

Highest share price	93.80	105.95	110.28
Lowest share price	81.82	81.83	99.91

<sup>1</sup> From 13 May 2021.

<sup>2</sup> Annualised figure due to share class launched less than 1 year.

<sup>3</sup> From 1 November 2021, the Investment Manager has agreed, on a discretionary basis, to waive an appropriate portion of their fee, with a view that the ongoing charges figure of 0.50% is not exceeded.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### ACD'S REPORT continued

### FUND INFORMATION continued

#### Fund Performance to 31 December 2023 (%)

	1 year	3 years	Since launch <sup>1</sup>
WS Gresham House UK Smaller Companies Fund	7.33	13.17	59.01
IA UK Smaller Companies sector <sup>2</sup>	0.37	(9.93)	15.36

<sup>1</sup> Launch date 1 February 2019.

<sup>2</sup> Source: Morningstar Direct.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 92 and 93.

#### 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.

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT**  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	UNITED KINGDOM – 88.00% (31.12.22 – 89.67%)		
	TECHNOLOGY – 13.08% (31.12.22 – 10.38%)		
	SOFTWARE AND COMPUTER SERVICES – 13.08% (31.12.22 – 10.38%)		
370,000	Ascential	1,084	0.92
4,035,372	IDOX	2,744	2.33
3,817,433	Learning Technologies	3,092	2.63
877,919	Moneysupermarket.com	2,460	2.09
4,274,910	Tribal <sup>1</sup>	2,309	1.96
2,499,336	Trustpilot	3,709	3.15
	TOTAL TECHNOLOGY	<u>15,398</u>	<u>13.08</u>
	TELECOMMUNICATIONS – 2.57% (31.12.22 – 2.42%)		
	TELECOMMUNICATIONS SERVICE PROVIDERS – 5.03% (31.12.22 – 2.42%)		
268,782	Gamma Communications	3,021	2.57
179,290	Telecom Plus	2,890	2.46
	TOTAL TELECOMMUNICATIONS	<u>5,911</u>	<u>5.03</u>
	HEALTH CARE – 4.43% (31.12.22 – 3.69%)		
	MEDICAL EQUIPMENT AND SERVICES – 4.43% (31.12.22 – 3.69%)		
167,073	Craneware	2,874	2.44
1,033,812	Spire Healthcare	2,341	1.99
	TOTAL HEALTH CARE	<u>5,215</u>	<u>4.43</u>

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	FINANCIALS – 16.86% (31.12.22 – 16.74%)		
	INVESTMENT BANKING AND BROKERAGE SERVICES – 13.58% (31.12.22 – 13.77%)		
185,863	Brooks MacDonald <sup>1</sup>	3,345	2.84
418,145	Mattioli Woods <sup>1</sup>	2,551	2.17
1,356,467	Peel Hunt <sup>1</sup>	1,519	1.29
1,775,407	TP ICAP	3,455	2.94
2,188,846	XPS Pensions	5,100	4.34
		<u>15,970</u>	<u>13.58</u>
	OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES – 0.14% (31.12.22 – 0.34%)		
1,227,036	TMT Acquisition	<u>160</u>	<u>0.14</u>
	NON-LIFE INSURANCE – 3.14% (31.12.22 – 2.63%)		
2,445,766	Sabre Insurance	<u>3,698</u>	<u>3.14</u>
	TOTAL FINANCIALS	<u>19,828</u>	<u>16.86</u>
	REAL ESTATE – 1.04% (31.12.22 – 1.82%)		
	REAL ESTATE INVESTMENT AND SERVICES DEVELOPMENT – 1.04% (31.12.22 – 1.82%)		
478,154	LSL Property Services	<u>1,229</u>	<u>1.04</u>
	TOTAL REAL ESTATE	<u>1,229</u>	<u>1.04</u>

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	CONSUMER DISCRETIONARY – 19.43% (31.12.22 – 21.67%)		
	HOUSEHOLD GOODS AND HOME CONSTRUCTION – 1.37% (31.12.22 – 2.59%)		
2,761,652	Watkin Jones <sup>1</sup>	1,610	1.37
	LEISURE GOODS – 1.82% (31.12.22 – 3.23%)		
1,186,614	Team17	2,136	1.82
	MEDIA – 4.46% (31.12.22 – 4.29%)		
347,021	Next Fifteen Communications <sup>1</sup>	2,863	2.43
720,735	Wilmington	2,393	2.03
		5,256	4.46
	RETAILERS – 4.81% (31.12.22 – 5.88%)		
1,457,229	Halfords	2,904	2.47
1,760,695	Moonpig	2,754	2.34
		5,658	4.81
	TRAVEL AND LEISURE – 6.97% (31.12.22 – 5.68%)		
1,254,664	Loungers <sup>1</sup>	2,810	2.39
712,121	TEN Entertainment	2,934	2.49
2,314,359	The Gym	2,453	2.09
		8,197	6.97
	TOTAL CONSUMER DISCRETIONARY	22,857	19.43
	CONSUMER STAPLES – 2.14% (31.12.22 – 5.48%)		
	FOOD PRODUCERS – 2.14% (31.12.22 – 5.48%)		
1,853,567	Premier Foods	2,513	2.14
	TOTAL CONSUMER STAPLES	2,513	2.14

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	INDUSTRIALS – 22.43% (31.12.22 – 23.08%)		
	CONSTRUCTION AND MATERIALS – 0.00% (31.12.22 – 2.57%)	—	—
	INDUSTRIAL ENGINEERING – 0.00% (31.12.22 – 1.87%)	—	—
	INDUSTRIAL SUPPORT SERVICES – 22.43% (31.12.22 – 17.57% <sup>2</sup> )		
731,928	Alpha Financial Markets Consulting <sup>1</sup>	2,855	2.43
14,282,646	Capita	3,142	2.67
820,374	Elixirr International <sup>1</sup>	5,045	4.29
1,326,874	Essentra	2,226	1.89
2,169,204	FRP Advisory <sup>1</sup>	2,950	2.51
801,679	Mears	2,485	2.11
817,312	Ricardo	4,005	3.40
390,815	Smart Metering Systems <sup>1</sup>	3,674	3.13
		<u>26,382</u>	<u>22.43</u>
	TOTAL INDUSTRIALS	<u>26,382</u>	<u>22.43</u>
	ENERGY – 0.66% (31.12.22 – 1.07%)		
	ALTERNATIVE ENERGY – 0.66% (31.12.22 – 1.07% <sup>2</sup> )		
1,085,938	Inspired <sup>1</sup>	782	0.66
	TOTAL ENERGY	<u>782</u>	<u>0.66</u>



**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**ACD'S REPORT** continued  
**PORTFOLIO STATEMENT** continued  
as at 31 December 2023

Holding	Portfolio of Investments	Value £'000	31.12.23 %
	UTILITIES – 2.90% (31.12.22 – 4.39%)		
	WASTE AND DISPOSAL SERVICES – 2.90% (31.12.22 – 4.39%)		
2,128,628	Franchise Brands <sup>1</sup>	3,406	2.90
	TOTAL UTILITIES	3,406	2.90
	TOTAL UNITED KINGDOM	103,521	88.00
	BERMUDA – 0.25% (31.12.22 – 1.28%)		
3,090,228	R&Q Insurance <sup>1</sup>	294	0.25
	IRELAND – 2.60% (31.12.22 – 0.00%)		
	CONSUMER DISCRETIONARY – 2.60% (31.12.22 – 0.00%)		
	LEISURE GOODS – 2.60% (31.12.22 – 0.00%)		
183,751	Keywords Studios	3,054	2.60
	TOTAL CONSUMER DISCRETIONARY	3,054	2.60
	TOTAL IRELAND	3,054	2.60
	Portfolio of investments	106,869	90.85
	Net other assets	10,758	9.15
	Net assets	117,627	100.00

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

<sup>1</sup> Quoted on the Alternative Investment Market (AIM).

<sup>2</sup> The comparative figure has been restated to match the current period presentation. Inspired has been reclassified from Industrial Support Services to Alternative Energy.

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**ACD'S REPORT** continued  
**SUMMARY OF MATERIAL PORTFOLIO CHANGES**  
for the year ended 31 December 2023

Total purchases for the year £'000 (note 15)	64,377	Total sales for the year £'000 (note 15)	22,096
Major purchases	Cost £'000	Major sales	Proceeds £'000
Capita	5,024	Medica	4,332
Elixirr International	3,988	EMIS	3,231
Learning Technologies	3,212	DWF	2,903
Gamma Communications	2,890	Devro	2,101
IDOX	2,789	Kape Technologies	1,760
Keywords Studios	2,719	Balfour Beatty	1,694
Mattioli Woods	2,566	Capita	1,420
Team17	2,538	Restore	1,310
Ricardo	2,529	Liontrust	1,143
Craneware	2,517	Flowtech Fluidpower	1,025

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

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**  
for the year ended 31 December 2023

	Notes	£'000	31.12.23 £'000	£'000	31.12.22 £'000
Income:					
Net capital gains/(losses)	3		5,030		(7,979)
Revenue	4	2,617		1,316	
Expenses	5	(657)		(364)	
Net revenue before taxation		1,960		952	
Taxation	6	–		–	
Net revenue after taxation			1,960		952
<b>Total return before distributions</b>			6,990		(7,027)
Distributions	7		(1,960)		(952)
<b>Change in net assets attributable to shareholders from investment activities</b>			5,030		(7,979)

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
for the year ended 31 December 2023

	Note	£'000	31.12.23 £'000	£'000	31.12.22 £'000
Opening net assets attributable to shareholders			65,480		38,555
Amounts receivable on issue of shares		51,833		37,458	
Amounts payable on redemption of shares		(6,840)		(3,629)	
			44,993		33,829
Dilution levy	1(H)		30		15
Change in net assets attributable to shareholders from investment activities			5,030		(7,979)
Retained distributions on Accumulation shares			2,094		1,060
<b>Closing net assets attributable to shareholders</b>			117,627		65,480

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**FINANCIAL STATEMENTS** continued  
**BALANCE SHEET**  
as at 31 December 2023

	Notes	31.12.23 £'000	31.12.22 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		106,869	59,556
<b>Current assets</b>			
Debtors	8	2,972	124
Cash and bank balances	9	9,381	6,076
<b>Total assets</b>		<u>119,222</u>	<u>65,756</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Distribution payable	10	(288)	(137)
Other creditors	10	(1,307)	(139)
<b>Total liabilities</b>		<u>(1,595)</u>	<u>(276)</u>
<b>Net assets attributable to shareholders</b>		<u>117,627</u>	<u>65,480</u>

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

**1. Accounting Policies**

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

**2. Distribution Policies**

The distribution policies described on pages 18 and 19 have been applied to the financial statements of the Fund in the current and prior year.

**3. Net Capital Gains/(Losses)**

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

	31.12.23 £'000	31.12.22 £'000
Non-derivative securities	5,032	(7,974)
Transaction charges	(2)	(5)
Net capital gains/(losses)	<u>5,030</u>	<u>(7,979)</u>

**4. Revenue**

	31.12.23 £'000	31.12.22 £'000
Non-taxable dividends	2,359	1,285
Bank interest	258	31
Total revenue	<u>2,617</u>	<u>1,316</u>

**5. Expenses**

	31.12.23 £'000	31.12.22 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	568	316
Legal and professional fees	12	12
Typesetting costs	4	3
Registration fees	27	15
Refund of expenses from Investment Manager	(4)	(17)
	<u>607</u>	<u>329</u>

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

	31.12.23 £'000	31.12.22 £'000
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	32	19
Safe custody and other bank charges	8	6
	40	25
Other expenses:		
Audit fees	10	9
Professional fees	-	1
	10	10
Total expenses	<u>657</u>	<u>364</u>

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

## 6. Taxation

	31.12.23 £'000	31.12.22 £'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)	<u>-</u>	<u>-</u>

### 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%) (31.12.22: 20%). The difference is explained below:

	31.12.23 £'000	31.12.22 £'000
Net revenue before taxation	<u>1,960</u>	<u>952</u>
Corporation tax at 20%	392	190

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

	31.12.23 £'000	31.12.22 £'000
Effects of:		
Non-taxable dividends	(472)	(257)
Prior year adjustment	1	-
Unutilised excess management expenses	79	67
Corporation tax charge	-	-
Total tax charge (note 6a)	-	-

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £193,000 (31.12.22: £114,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 7. Distributions

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

	31.12.23 £'000	31.12.22 £'000
Interim	-	-
Final	2,382	1,197
	2,382	1,197
Add: Revenue deducted on redemption of shares	66	37
Deduct: Revenue received on issue of shares	(488)	(282)
Net distributions for the year	1,960	952

Details of the distributions per share are set out in the table on pages 92 and 93.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

#### 8. Debtors

	31.12.23 £'000	31.12.22 £'000
Amounts receivable for issue of shares	2,934	11
Accrued revenue:		
Non-taxable dividends	38	106
Amounts due from the Investment Manager:		
Refund of expenses	-	7
Total debtors	<u>2,972</u>	<u>124</u>

#### 9. Cash and Bank Balances

	31.12.23 £'000	31.12.22 £'000
Bank balances	<u>9,381</u>	<u>6,076</u>
Total cash and bank balances	<u>9,381</u>	<u>6,076</u>

#### 10. Creditors

	31.12.23 £'000	31.12.22 £'000
Distribution payable	<u>288</u>	<u>137</u>
<b>Other Creditors</b>		
Amounts payable for redemption of shares	131	29
Purchases awaiting settlement	1,095	58



## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

	31.12.23 £'000	31.12.22 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	58	34
Typesetting costs	3	2
Registration fees	3	2
	64	38
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	2
Transaction charges	1	1
Safe custody and other bank charges	2	1
	6	4
Other expenses	11	10
Total other creditors	<u>1,307</u>	<u>139</u>

#### 11. Related Party Transactions

The Annual Management Charge and legal and professional fees payable to Waystone Management (UK) Limited ('WMUK') ('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 80. Amounts due at the year end are disclosed in notes 8 and 10.

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

Baronsmead Venture Trust PLC	27.31% (31.12.22: 18.77%)
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#### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.12.22: none).

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

#### 13. Shares in Issue

	C Sterling Accumulation	C Sterling Income	C Euro Accumulation
Annual Management Charge	0.90%	0.90%	0.90%
Opening shares in issue	19,483,526	740	250
Issues	13,192,460	1,230,633	-
Redemptions	(1,777,632)	(911)	-
Conversions	3,831	-	-
Closing shares in issue	<u>30,902,185</u>	<u>1,230,462</u>	<u>250</u>

	F Sterling Accumulation	F Sterling Income
Annual Management Charge	0.40%	0.40%
Opening shares in issue	33,748,437	7,600,326
Issues	28,313,571	5,315,846
Redemptions	(4,076,978)	(605,945)
Conversions	(6,297)	-
Closing shares in issue	<u>57,978,733</u>	<u>12,310,227</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 Investment Manager to the Fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

#### (A) CREDIT RISK

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

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

#### (B) INTEREST RATE RISK

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

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

#### (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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

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

#### (D) LEVERAGE

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

#### (E) LIQUIDITY RISK

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

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

#### for the year ended 31 December 2023

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 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

Based on this analysis 31.44% of the portfolio can be liquidated within 5 days and 57.44% within 21 working days (31.12.22: 33.41% within 5 days and 60.69% within 21 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 £5,343,000 (31.12.22: £2,978,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

#### 15. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.12.23</b>				
Ordinary shares	64,134	115	128	64,377
Purchases total	64,134	115	128	64,377
Transaction cost % of purchases total		0.18%	0.20%	
Transaction cost % of average NAV		0.13%	0.14%	
		-		
Ordinary shares	22,110	(14)	-	22,096
Sales total	22,110	(14)	-	22,096
Transaction cost % of sales total		0.06%	-	
Transaction cost % of average NAV		0.01%	-	

Average portfolio dealing spread at 31.12.23 is 1.55% (31.12.22: 1.74%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.12.22</b>				
Ordinary shares	48,694	84	128	48,906
Purchases total	48,694	84	128	48,906
Transaction cost % of purchases total		0.17%	0.26%	
Transaction cost % of average NAV		0.16%	0.25%	
Ordinary shares	14,497	(23)	-	14,474
Sales total	14,497	(23)	-	14,474
Transaction cost % of sales total		0.16%	-	
Transaction cost % of average NAV		0.05%	-	

**WS GRESHAM HOUSE UK SMALLER COMPANIES FUND**  
**FINANCIAL STATEMENTS** continued  
**NOTES TO THE FINANCIAL STATEMENTS** continued  
for the year ended 31 December 2023

**16. Fair Value Hierarchy**

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

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

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

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

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

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### DISTRIBUTION TABLE

for the year ended 31 December 2023 – 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 there is no distribution at interim, the final distribution is deemed to run for the whole year.

Group 2	Final
From	01.01.23
To	31.12.23

#### C STERLING ACCUMULATION SHARES

There were no interim distributions for the C Sterling Accumulation share class in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	2.7693	–	2.7693	2.2725
Group 2	1.9308	0.8385	2.7693	2.2725

#### C STERLING INCOME SHARES

There were no interim distributions for the C Sterling Income share class in the current or prior year.

Final	Net Revenue	Equalisation	Payable 29.02.24	Paid 28.02.23
Group 1	2.7065	–	2.7065	2.2376
Group 2	0.0061	2.7004	2.7065	2.2376

#### C EURO ACCUMULATION SHARES

There were no interim distributions for the C Euro Accumulation share class in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	2.1600	–	2.1600	1.7080
Group 2	2.1600	0.0000	2.1600	1.7080

## WS GRESHAM HOUSE UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS continued

### DISTRIBUTION TABLE continued

#### F STERLING ACCUMULATION SHARES

There were no interim distributions for the F Sterling Accumulation share class in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	2.1354	–	2.1354	1.8289
Group 2	1.1787	0.9567	2.1354	1.8289

#### F STERLING INCOME SHARES

There were no interim distributions for the F Sterling Income share class in the current or prior year.

Final	Net Revenue	Equalisation	Payable 29.02.24	Paid 28.02.23
Group 1	2.0679	–	2.0679	1.8063
Group 2	0.5606	1.5073	2.0679	1.8063



## GENERAL INFORMATION

### Share Capital

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

### Structure of WS Gresham House Equity Funds

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

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

WS Gresham House UK Multi Cap Income Fund

WS Gresham House UK Smaller Companies Fund

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

### Classes of Shares

The Company may issue income and accumulation shares in respect of each sub-fund.

Holders of income shares are entitled to be paid the distributable income attributed to such shares on any relevant interim and annual allocation dates.

Holders of accumulation shares are not entitled to be paid the income attributed to such shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant sub-fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation share.

### Valuation Point

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

### Buying and Selling Shares

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

## GENERAL INFORMATION continued

### Prices

The prices of all shares are published on every dealing day on the website of the ACD: [www.waystone.com](http://www.waystone.com). 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 Documents and the most recent interim and annual reports may be inspected at, and obtained from, the ACD at 2nd floor, 20-22 Bedford Row, Holborn, London WC1R 4EB during normal business hours on any Business Day, in addition to being available at [www.waystone.com](http://www.waystone.com).

Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. Information about the Financial Ombudsman can be found on its website at [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk).

### 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.

**Waystone**

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