

LF Gresham House UK Micro Cap Fund

(Formerly LF Livingbridge UK Micro Cap Fund)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



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ACD'S REPORT

for the year ended 31 December 2018

Authorised Status

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

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

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

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

Important Information

On 2 November 2018, the following share classes were launched in the Fund: 'D' Accumulation and 'D' Income.

With effect from 1 December 2018, the following changes were made:

- The Investment Manager for the Fund has changed from Livingbridge VC LLP to Gresham House Asset Management Limited; and
- The name of the LF Livingbridge UK Micro Cap Fund changed to LF Gresham House UK Micro Cap Fund.

Full details of the changes can be found in the revised Prospectus dated 1 December 2018.

Investment Objective and Policy

The objective of the Fund is to achieve long term capital growth through investment primarily in equities of UK companies. Investment in the main will be in an actively managed portfolio of equities of smaller UK companies traded on AIM and other UK markets which are considered to have potential for capital growth. The Fund may also invest directly in gilts, money market instruments, deposits, warrants, international equities, bonds, collective investment schemes and other assets permitted by the FCA Handbook.

Derivatives and forward transactions may be used for Efficient Portfolio Management. However, in addition, derivatives and forward transactions may be used for investment purposes on the giving of 60 days' notice to shareholders.

ACD'S REPORT *continued*

Remuneration Policy

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

LFSL acts as the operator of both UCITS funds and AIFs.

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

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. However, following the acquisition by Link Administration Holdings Limited on 3 November 2017, LFSL changed its accounting reference date to 30 June to align with that of its new parent, and its most recent account period was therefore for the six months to 30 June 2018. To provide investors with transparency and comparability, this report includes remuneration disclosures for both this shortened accounting period and the previous one, for the calendar year ended 31 December 2017. As at 30 June 2018, LFSL operated 96 UCITS and 59 AIFs (31.12.17: 95 UCITS and 59 AIFs), whose respective assets under management ('AuM') were £39,632 million and £17,801 million (31.12.17: £41,425 million and £16,780 million). This Fund was valued at £138 million as at 30 June 2018 and represented 0.24% of LFSL's total AuM and 0.77% of its AIF AuM (31.12.17: this Fund was valued at £106 million and represented 0.18% of LFSL's total AuM and 0.63% of its AIF AuM).

ACD'S REPORT *continued*

Remuneration Policy *continued*

The disclosure below represents that required under FUND 3.3.5 R (5) and (6) for funds subject to AIFMD obligations.

2018	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial period to 30 June 2018	149	3,249	924	4,173
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial period to 30 June 2018				
Senior management (including all Board members)	6	356	348	704
Staff engaged in control functions	4	182	59	241
Risk takers and other identified staff	15	561	205	766
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–
<hr/>				
2017	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 31 December 2017	188	5,497	633	6,130
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 31 December 2017				
Senior management (including all Board members)	6	551	132	683
Staff engaged in control functions	4	310	–	310
Risk takers and other identified staff	15	995	19	1,014
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–

ACD'S REPORT *continued*

Securities Financing Transactions

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

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Micro Cap Fund

12 April 2019

ACD'S REPORT *continued*
PORTFOLIO MANAGER'S REPORT
for the year ended 31 December 2018

Movements in Net Asset Value

As at 31 December 2018 the gross NAV of the Company was £160.6m of which 92.6% was invested in the portfolio of micro cap equities. This compared to a NAV of £104.6m at the beginning of the period. The increase in NAV was a combination of net inflows from new holders amounting to £60.6m and a negative revaluation of the portfolio of £3.2m. The Fund delivered good positive returns of 1.5% over the period outperforming the wider equity markets which witnessed a substantial increase in volatility and weaker sentiment, particularly towards the end of the year.

Investment Activity

Strong net inflows into the Fund during the year fed into significant new investment activity. Cash was deployed into a combination of new positions and follow on investments into existing portfolio companies. During the period the number of portfolio companies increased from 44 to 45. A total of £85.3m was invested into a combination of new and existing companies. Divestment activity was also active with a number of positions fully exited. In aggregate £24.7m was received from the proceeds of divestments realising an aggregate positive return of 19.1%.

The level and quality of equity issuance in the UK micro cap segment remained strong during the first 9 months of the year before slowing down during the final quarter as ongoing geopolitical and economic uncertainty particularly surrounding the UK's forthcoming exit from the EU started to weigh heavily on investor sentiment. As new opportunities arising from new issues started to abate there was an increase in opportunities arising from share price weakness creating more attractive valuations within the small and micro-cap universe.

The Fund participated in 8 IPOs during the year investing an aggregate £18.4m which generated an aggregate positive return of 22.5% during 2018. These included Knights Group, a consolidator in the UK regional legal services market; S4 Capital, the new marketing services vehicle for Sir Martin Sorrell, the founder of WPP; Team17 a developer of and investor in computer games; and Mind Gym, a behavioral science consultancy.

The Fund participated in secondary placings to support the growth plans of 15 existing and new portfolio companies. These included Ideagen, an international supplier of governance, risk and compliance software, a long-standing Gresham House investee company from other funds which undertook a placing and acquisition during the year which allowed the Fund to start a new position in the company, leveraging the Manager's existing knowledge and management relationships to drive conviction in the long term opportunity for the business. The Fund also backed existing portfolio company Filta, the provider of environmental kitchen solutions, with additional capital to back an earnings enhancing acquisition; and Angling Direct, the UK's leading online and offline retailer of fishing tackle and equipment, which raised funds for international expansion.

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

There were 12 full exits during the period realising £24.7m and an overall return of 19.1%. We took advantage of the strong performance of a number of holdings during the prior year to exit during 2018. These included Gamma Communications, a holding since its IPO in 2014, where we realised an aggregate return of 51%; Miton Group, realising a return of 55%; and two takeovers for Hogg Robinson and SQS Software, delivering positive returns of 87% and 64% respectively. We also exited some underperforming holdings following a change in investment view, notably Goals Soccer Centres (-31% return); Footasylum (-57%) and Alliance Pharma (-13%).

Gresham House Transaction

On 30 November 2018 the Livingbridge Equity Funds business was acquired by Gresham House Asset Management Limited, a subsidiary of Gresham House plc, a London listed specialist alternative asset manager. As part of the transaction the Fund and other funds managed by the Livingbridge Equity Funds team as well as the investment and support teams transferred across to the new manager.

As part of an ongoing strategic partnership between the two businesses the Gresham House Equity Funds team retain access to the Livingbridge private equity platform and network to support the research and portfolio management process for the Fund. In addition, the transferring team now sit within a wider smaller company focused equity team of 12 investment professionals and a wider investment capability across other strategies. The team is complemented by a wider network of advisory board and investment committee members with extensive public and private equity investment experience.

The Fund's investment process remains unchanged following the change in Manager but now benefits from an enhanced and powerful network that underpins idea generation, investment evaluation and due diligence, and ongoing portfolio and risk management.

Investment Performance

The Fund's price per share increased 1.5% during the year (based on 'A' Accumulation share class). This compares to the IA UK Smaller Companies Sector which was down 11.7%¹ over the same period. Despite the modest absolute return for the period, the Fund's strong relative performance was driven by a shift in market conditions during the period, away from the strong performance of highly rated momentum stocks that drove small caps in 2017, and towards more resilient defensive stocks in 2018.

The Manager's strategy of focusing less cyclical sectors and on established profitable niche growth businesses on sensible valuations has proven to be more resilient during periods of weaker market sentiment and volatility such as that experienced during 2018 allowing the Fund to outperform its sector. The Fund ranked second within the IA UK Smaller Companies Sector during the period and was one of only three funds to register a positive return during the year. That allowed it to maintain its record of being the only Fund in the sector to deliver a positive return in every calendar year since launch in 2009.

¹ The IA UK Smaller Companies Sector is used for comparison only. No benchmark is required to be disclosed per the prospectus.

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Key contributors to absolute performance during the year were Filta Group following good results and an earnings enhancing acquisition; IG Design Group rising on the back of strong results; and Knights Group, following a successful oversubscribed IPO followed by strong results later in the year. Detractors were Footasylum, following a profit warning (since exited fully); Restore due to the CEO announcing retirement; and Gama Aviation due to weaker trading.

Outlook

Since its original launch in May 2009 the Fund has demonstrated an ability to deliver robust absolute and relative returns, particularly in more volatile market conditions. In the context of political and macro-economic uncertainty in the UK and more widely we expect 2019 to be populated by periods of market volatility and weaker sentiment. Whilst this creates a more challenging backdrop we also expect this to produce some attractive value opportunities within our target universe of small and micro-cap UK equities.

We believe that during periods of volatility the Fund's fundamentals focused investment style has the potential to outperform. In that context we continue to focus on less cyclical, high quality, niche growth businesses which we believe can deliver strong returns through the market cycle and regardless of the wider economy.

The Fund will continue to seek selective opportunities to invest in attractive niche growth companies in the Manager's focus sectors with the potential to deliver attractive capital gains over the long term.

Source for all data: Gresham House Asset Management Ltd.

GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Portfolio Manager

21 February 2019

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 lowest number on the scale does not mean that a fund is a risk free investment.

The Fund has been classed as 4 because its volatility has been measured as average.

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

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests in overseas securities movements in exchange rates may, when not hedged, cause the value of your investment to increase or decrease.

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

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

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

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 pence per share	31.12.16 pence per share
Opening net asset value per share	4,020.46	3,141.02	3,015.32
Return before operating charges*	85.80	915.77	155.84
Operating charges	(42.52)	(36.33)	(30.14)
Return after operating charges	43.28	879.44	125.70
Distributions	(34.66)	(15.13)	(29.11)
Retained distributions on accumulation shares	34.66	15.13	29.11
Closing net asset value per share	4,063.74	4,020.46	3,141.02
* after direct transaction costs of:	6.11	6.21	6.25

PERFORMANCE

Return after charges	1.08%	28.00%	4.17%
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OTHER INFORMATION

Closing net asset value (£'000)	45,573	45,109	35,187
Closing number of shares	1,121,465	1,121,984	1,120,228
Operating charges	0.98%	0.99%	1.01%
Direct transaction costs	0.14%	0.17%	0.21%

PRICES

Highest share price	4,670.71	4,069.89	3,196.43
Lowest share price	3,990.87	3,215.51	2,666.70

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'B' RETAIL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 pence per share	31.12.16 pence per share
Opening net asset value per share	152.46	119.83	115.75
Return before operating charges*	3.21	35.04	6.02
Operating charges	(2.59)	(2.22)	(1.58)
Return after operating charges	0.62	32.82	4.44
Distributions	(0.32)	(0.19)	(0.36)
Closing net asset value per share	152.76	152.46	119.83
* after direct transaction costs of:	0.23	0.24	0.24

PERFORMANCE

Return after charges	0.41%	27.39%	3.83%
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OTHER INFORMATION

Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges	1.58%	1.59%	1.61%
Direct transaction costs	0.14%	0.17%	0.21%

PRICES

Highest share price	175.94	154.34	121.95
Lowest share price	151.24	122.67	101.87

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'B' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 pence per share	31.12.16 pence per share
Opening net asset value per share	152.84	120.14	116.22
Return before operating charges*	3.29	34.92	5.80
Operating charges	(2.60)	(2.22)	(1.88)
Return after operating charges	0.69	32.70	3.92
Distributions	(0.38)	–	(0.36)
Retained distributions on accumulation shares	0.38	–	0.36
Closing net asset value per share	153.53	152.84	120.14
* after direct transaction costs of:	0.23	0.24	0.24

PERFORMANCE

Return after charges	0.45%	27.22%	3.37%
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OTHER INFORMATION

Closing net asset value (£'000)	3	3	2
Closing number of shares	1,968	1,968	1,968
Operating charges	1.58%	1.59%	1.61%
Direct transaction costs	0.14%	0.17%	0.21%

PRICES

Highest share price	176.78	154.73	122.26
Lowest share price	151.62	122.98	102.29

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 pence per share	31.12.16 pence per share
Opening net asset value per share	152.10	119.33	115.75
Return before operating charges*	3.33	34.78	5.86
Operating charges	(1.60)	(1.38)	(1.15)
Return after operating charges	1.73	33.40	4.71
Distributions	(1.36)	(0.63)	(1.13)
Closing net asset value per share	152.47	152.10	119.33
* after direct transaction costs of:	0.23	0.24	0.24

PERFORMANCE

Return after charges	1.14%	27.99%	4.07%
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OTHER INFORMATION

Closing net asset value (£'000)	28,144	19,485	3,190
Closing number of shares	18,459,271	12,810,838	2,673,326
Operating charges	0.98%	0.99%	1.01%
Direct transaction costs	0.14%	0.17%	0.21%

PRICES

Highest share price	175.78	154.17	121.72
Lowest share price	150.98	122.17	101.55

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 pence per share	31.12.16 pence per share
Opening net asset value per share	155.48	121.47	116.60
Return before operating charges*	3.31	35.41	6.03
Operating charges	(1.64)	(1.40)	(1.16)
Return after operating charges	1.67	34.01	4.87
Distributions	(1.36)	(0.59)	(1.15)
Retained distributions on accumulation shares	1.36	0.59	1.15
Closing net asset value per share	157.15	155.48	121.47
* after direct transaction costs of:	0.24	0.24	0.24

PERFORMANCE

Return after charges	1.07%	28.00%	4.18%
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OTHER INFORMATION

Closing net asset value (£'000)	66,530	39,995	24,720
Closing number of shares	42,333,792	25,723,597	20,350,594
Operating charges	0.98%	0.99%	1.01%
Direct transaction costs	0.14%	0.17%	0.21%

PRICES

Highest share price	180.63	157.39	123.61
Lowest share price	154.34	124.35	103.13

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'D' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18¹ pence per share
Opening net asset value per share	100.00
Return before operating charges*	(5.88)
Operating charges	(0.13)
Return after operating charges	(6.01)
Distributions	(0.11)
Closing net asset value per share	93.88
* after direct transaction costs of:	0.14

PERFORMANCE

Return after charges	(6.01)%
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OTHER INFORMATION

Closing net asset value (£'000)	20,317
Closing number of shares	21,641,953
Operating charges	0.83% ²
Direct transaction costs	0.14%

PRICES

Highest share price	101.27
Lowest share price	95.13

¹ From 2 November 2018.

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

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'D' ACCUMULATION SHARES

	31.12.18 ¹ pence per share
CHANGE IN NET ASSETS PER SHARE	
Opening net asset value per share	100.00
Return before operating charges*	(5.86)
Operating charges	(0.13)
Return after operating charges	(5.99)
Distributions	(0.12)
Retained distributions on accumulation shares	0.12
Closing net asset value per share	94.01
* after direct transaction costs of:	0.14

PERFORMANCE

Return after charges	(5.99)%
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OTHER INFORMATION

Closing net asset value (£'000)	–
Closing number of shares	250
Operating charges	0.83% ²
Direct transaction costs	0.14%

PRICES

Highest share price	101.27
Lowest share price	95.14

¹ From 2 November 2018.

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

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 December 2018 (%)

	1 year	3 years	5 years
LF Gresham House UK Micro Cap Fund	1.47	35.14	76.02

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 43 and 44.

RISK WARNING

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

ACD'S REPORT *continued*
PORTFOLIO STATEMENT
as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	UNITED KINGDOM – 92.50% (31.12.17 – 88.37%)		
	INDUSTRIALS – 29.84% (31.12.17 – 26.20%)		
	CONSTRUCTION & MATERIALS – 2.94% (31.12.17 – 3.44%)		
960,000	Nexus Infrastructure	1,824	1.14
1,525,648	Norcros	2,899	1.80
		<u>4,723</u>	<u>2.94</u>
	INDUSTRIAL GOODS & SERVICES – 3.81% (31.12.17 – 3.77%)		
39,755,843	Inspired Energy	<u>6,122</u>	<u>3.81</u>
	INDUSTRIAL TRANSPORTATION – 3.53% (31.12.17 – 3.78%)		
1,336,150	Avation ¹	3,407	2.12
1,913,702	Gama Aviation	2,258	1.41
		<u>5,665</u>	<u>3.53</u>
	SUPPORT SERVICES – 19.56% (31.12.17 – 15.21%)		
1,351,872	Alpha Financial Markets Consulting	2,974	1.85
1,426,658	Charles Taylor Consulting	3,067	1.91
2,750,000	Driver	1,925	1.20
3,614,000	Filta ¹	7,517	4.68
3,606,970	Knights	6,313	3.93
1,010,500	Restore	3,244	2.02
525,950	Staffline	6,364	3.97
		<u>31,404</u>	<u>19.56</u>
	TOTAL INDUSTRIALS	<u>47,914</u>	<u>29.84</u>

ACD'S REPORT *continued*
PORTFOLIO STATEMENT *continued*
as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	CONSUMER GOODS – 7.35% (31.12.17 – 6.00%)		
	FOOD PRODUCERS – 1.76% (31.12.17 – 1.45%)		
2,770,475	Finsbury Food	2,826	1.76
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 5.59% (31.12.17 – 4.55%)		
907,500	IG Design	5,209	3.24
237,782	Mar City ²	–	–
1,863,580	Watkin Jones	3,774	2.35
	TOTAL CONSUMER GOODS	11,809	7.35
	CONSUMER SERVICES – 20.02% (31.12.17 – 17.34%)		
	GENERAL RETAILERS – 4.51% (31.12.17 – 5.12%)		
3,568,000	Angling Direct	2,961	1.85
2,549,699	Franchise Brands	1,657	1.03
1,712,329	Mind Gym	2,620	1.63
		7,238	4.51
	MEDIA – 9.51% (31.12.17 – 6.21%)		
4,059,242	S4 Capital ¹	4,709	2.93
1,502,048	Tarsus ¹	3,980	2.48
1,575,023	TEN Entertainment	3,465	2.16
1,779,427	Wilmington ¹	3,114	1.94
		15,268	9.51
	TRAVEL & LEISURE – 6.00% (31.12.17 – 6.01%)		
9,602,692	Arena Events	5,474	3.41
2,260,000	City Pub	3,910	2.43
2,403,485	Tasty	252	0.16
		9,636	6.00
	TOTAL CONSUMER SERVICES	32,142	20.02

ACD'S REPORT *continued*
PORTFOLIO STATEMENT *continued*
as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	TELECOMMUNICATIONS – 1.68% (31.12.17 – 2.50%)		
	MOBILE TELECOMMUNICATIONS – 1.68% (31.12.17 – 2.50%)		
2,703,644	Bigblu Broadband	2,704	1.68
	TOTAL TELECOMMUNICATIONS	2,704	1.68
	FINANCIALS – 16.44% (31.12.17 – 15.47%)		
	FINANCIAL SERVICES – 15.28% (31.12.17 – 14.49%)		
2,845,000	Impax Asset Management	5,804	3.61
829,145	JTC	3,109	1.94
1,022,970	Mattioli Woods	6,752	4.21
641,888	Mortgage Advice Bureau	3,222	2.01
3,521,288	XPS Pensions ¹	5,634	3.51
		24,521	15.28
	EQUITY INVESTMENT INSTRUMENTS – 0.95% (31.12.17 – 0.98%)		
1,660,281	Orchard Funding	1,528	0.95
	NON EQUITY INVESTMENT INSTRUMENTS – 0.21% (31.12.17 – 0.00%)		
3,000,000	Hertsford Capital ¹	330	0.21
	TOTAL FINANCIALS	26,379	16.44
	HEALTH CARE – 4.47% (31.12.17 – 2.63%)		
	HEALTH CARE EQUIPMENT & SERVICES – 1.76% (31.12.17 – 0.00%)		
6,570,000	Venture Life	2,825	1.76

ACD'S REPORT *continued*
PORTFOLIO STATEMENT *continued*
as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	PHARMACEUTICALS & BIOTECHNOLOGY – 2.71% (31.12.17 – 2.63%)		
2,829,000	Ergomed	4,357	2.71
	TOTAL HEALTH CARE	<u>7,182</u>	<u>4.47</u>
	TECHNOLOGY – 12.70% (31.12.17 – 18.23%)		
	SOFTWARE & COMPUTER SERVICES – 12.70% (31.12.17 – 18.23%)		
16,788,254	Adept4	168	0.11
2,258,601	Brady	1,446	0.90
8,194,552	CentralNic	4,179	2.60
360,000	GRC International	421	0.26
1,408,451	Ideagen	1,718	1.07
1,251,419	IMImobile	2,928	1.82
36,745,947	Nasstar	4,263	2.66
4,386,207	Oxford Metrics	3,114	1.94
2,538,373	Tax Systems	2,158	1.34
	TOTAL TECHNOLOGY	<u>20,395</u>	<u>12.70</u>
	TOTAL UNITED KINGDOM	<u>148,525</u>	<u>92.50</u>
	Portfolio of investments	148,525	92.50
	Net other assets	12,042	7.50
	Net assets	<u>160,567</u>	<u>100.00</u>

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

¹ Listed on a regulated market.

² Delisted security.

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2018

Total purchases for the year £'000 (note 15)	85,086	Total sales for the year £'000 (note 15)	24,698
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Knights	5,375	SQS Software Quality Systems	4,065
Mattioli Woods	4,341	Gamma Communications	3,236
Charles Taylor Consulting	3,918	Alliance Pharma	2,888
Alliance Pharma	3,323	Hogg Robinson	2,850
Angling Direct	3,300	SafeCharge International	2,225
Arena Events	3,269	Team17	1,996
Inspired Energy	3,247	Rosenblatt	1,963
Staffline	3,203	Miton	1,742
XPS Pensions	2,908	Cambria Automobiles	938
JTC	2,858	Footasylum	898

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

DIRECTOR'S STATEMENT

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

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Micro Cap Fund

12 April 2019

STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes sourcebook published by the FCA ('the COLL Sourcebook') and the Investment Funds Sourcebook (the 'FUND Sourcebook'), as applicable, requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Fund and of the net revenue/expense and net capital gains/losses on the property of the Fund for the year.

In preparing the financial statements the ACD is responsible for:

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

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

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook and, from 22 July 2014, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Fund's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as summarised below.

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

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

The Depositary must ensure that:

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

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

REPORT OF THE DEPOSITARY

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

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

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Depositary of LF Gresham House UK Micro Cap Fund

12 April 2019

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

Opinion

We have audited the financial statements of LF Gresham House UK Micro Cap ("the Fund") for the year ended 31 December 2018 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the Related Notes and Distribution Table of the Fund set out on pages 29 to 44 and the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of the Fund as at 31 December 2018 and of the net revenue and the net capital losses on the property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for Opinion

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

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

The Impact of Uncertainties Due to Britain Exiting the European Union on our Audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Fund's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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

Going Concern

The Authorised Corporate Director has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease their operations, and as they have concluded that the Fund 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 12 months from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Authorised Corporate Director's conclusions, we considered the inherent risks to the Fund's business model, including the impact of Brexit, and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Fund will continue in operation.

Other Information

The ACD (Link Fund Solutions Limited) 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 ACD's Report for the financial year is consistent with the financial statements.

Matters on Which We Are Required to Report by Exception

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

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

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

ACD's Responsibilities

As explained more fully in their statement set out on page 24 the ACD is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

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.

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

This report is made solely to the Fund's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**DAVID ALLEN
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR**

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
12 April 2019

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2018

	Notes	£'000	31.12.18 £'000	£'000	31.12.17 £'000
Income:					
Net capital (losses)/gains	3		(4,524)		19,208
Revenue	4	2,547		1,199	
Expenses	5	(1,384)		(832)	
Net revenue before taxation		1,163		367	
Taxation	6	–		(7)	
Net revenue after taxation			1,163		360
Total return before distributions			(3,361)		19,568
Distributions	7		(1,125)		(360)
Change in net assets attributable to shareholders from investment activities			(4,486)		19,208

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 December 2018

	£'000	31.12.18 £'000	£'000	31.12.17 £'000
Opening net assets attributable to shareholders		104,592		63,099
Amounts receivable on issue of shares	67,754		25,128	
Amounts payable on redemption of shares	(8,206)		(3,145)	
		59,548		21,983
Change in net assets attributable to shareholders from investment activities		(4,486)		19,208
Retained distributions on Accumulation shares		913		302
Closing net assets attributable to shareholders		160,567		104,592

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 December 2018

	Notes	31.12.18 £'000	31.12.17 £'000
ASSETS			
Fixed assets			
Investments		148,525	92,433
Current assets			
Debtors	8	447	337
Cash and bank balances	9	12,091	11,943
Total assets		<u>161,063</u>	<u>104,713</u>
LIABILITIES			
Creditors			
Distribution payable	10	(111)	(26)
Other creditors	10	(385)	(95)
Total liabilities		<u>(496)</u>	<u>(121)</u>
Net assets attributable to shareholders		<u>160,567</u>	<u>104,592</u>

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. Accounting Policies

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

(A) BASIS OF ACCOUNTING

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

(B) RECOGNITION OF REVENUE

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

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

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

(C) TREATMENT OF EXPENSES

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

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

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

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.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

(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.

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

(G) EXCHANGE RATES

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

(H) DILUTION LEVY

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

(I) PORTFOLIO TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.

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.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

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

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

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

3. Net Capital (Losses)/Gains

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

	31.12.18 £'000	31.12.17 £'000
Non-derivative securities	(4,522)	19,206
Transaction charges	(2)	(1)
Currency gains	–	3
Net capital (losses)/gains	<u>(4,524)</u>	<u>19,208</u>

The net capital losses figure includes realised gains of £3,966,00 and unrealised gains of £13,567,000 (31.12.17: includes realised gains of £4,895,000 and unrealised gains of £22,055,000). The realised gains on investments in the year include amounts previously recognised as unrealised gains in the prior year.

4. Revenue

	31.12.18 £'000	31.12.17 £'000
Non-taxable dividends	2,517	1,199
Bank interest	30	–
Total revenue	<u>2,547</u>	<u>1,199</u>

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

5. Expenses

	31.12.18 £'000	31.12.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,273	757
Legal and professional fees	13	12
Typesetting costs	1	1
Registration fees	39	21
	1,326	791
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	44	30
Safe custody and other bank charges	6	4
	50	34
Audit fees	8	7
Total expenses	1,384	832

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

6. Taxation

	31.12.18 £'000	31.12.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	–	7
Current tax charge	–	7
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	–	7

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

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%) (31.12.17: 20%). The difference is explained below:

	31.12.18 £'000	31.12.17 £'000
Net revenue before taxation	1,163	367
Corporation tax at 20%	233	73
Effects of:		
Non-taxable dividends	(503)	(240)
Utilisation of excess management expenses	270	167
Corporation tax charge	–	–
Overseas tax	–	7
Total tax charge (note 6a)	–	7

c) Deferred tax

At the year end there is a potential deferred tax asset of £994,000 (31.12.17: £724,000) 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:

	31.12.18 £'000	31.12.17 £'000
Interim	723	232
Final	427	134
	1,150	366
Add: Revenue deducted on redemption of shares	6	1
Deduct: Revenue received on issue of shares	(31)	(7)
Net distributions for the year	1,125	360

Details of the distributions per share are set out in the table on pages 43 and 44.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

	31.12.18 £'000	31.12.17 £'000
Net revenue after taxation	1,163	360
Allocations to capital:		
Equalisation on conversions ¹	(38)	–
Net distributions for the year	<u>1,125</u>	<u>360</u>

¹ Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

8. Debtors

	31.12.18 £'000	31.12.17 £'000
Amounts receivable for issue of shares	147	141
Accrued revenue:		
Non-taxable dividends	290	186
Taxation recoverable:		
Overseas withholding tax	10	10
Total debtors	<u>447</u>	<u>337</u>

9. Cash and Bank Balances

	31.12.18 £'000	31.12.17 £'000
Bank balances	12,091	11,943
Total cash and bank balances	<u>12,091</u>	<u>11,943</u>

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

10. Creditors

	31.12.18 £'000	31.12.17 £'000
Distribution payable	111	26
Other Creditors		
Amounts payable for redemption of shares	241	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	124	79
Typesetting costs	1	1
Registration fees	5	1
	130	81
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	4	3
Safe custody and other bank charges	1	1
	5	4
Other expenses	9	10
Total other creditors	385	95

11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 29 and amounts due at the year end are disclosed in notes 8 and 10.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

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:

Allfunds Nominees Limited 21.50% (31.12.17: 0.05%)

12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.12.17: none).

13. Shares in Issue

	‘A’ Accumulation	‘B’ Retail Income	‘B’ Retail Accumulation	‘C’ Institutional Income
Annual Management Charge	0.90%	1.50%	1.50%	0.90%
Opening shares in issue	1,121,984	250	1,968	12,810,838
Issues	111	–	603	20,114,143
Redemptions	(630)	–	(603)	(1,267,230)
Conversions	–	–	–	(13,198,480)
Closing shares in issue	<u>1,121,465</u>	<u>250</u>	<u>1,968</u>	<u>18,459,271</u>

	‘C’ Institutional Accumulation	‘D’ Income	‘D’ Accumulation
Annual Management Charge	0.90%	0.75%	0.75%
Opening shares in issue	25,723,597	–	–
Issues	20,180,024	165,850	250
Redemptions	(3,569,829)	–	–
Conversions	–	<u>21,476,103</u>	–
Closing shares in issue	<u>42,333,792</u>	<u>21,641,953</u>	<u>250</u>

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

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) and investment purposes.

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

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

(A) CREDIT RISK

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

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

(B) INTEREST RATE RISK

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

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

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

(C) FOREIGN CURRENCY RISK

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

The income and capital value of the Fund's investments are denominated in sterling and, therefore, the financial statements are not subject to the risk of currency movements. The Fund does not have any direct exposure to foreign currency risk, therefore no foreign currency risk table or sensitivity analysis has been presented.

(D) LEVERAGE

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

As at 31 December 2018, leverage under the gross method was 0.93:1 and leverage under the commitment method was 1:1 (31.12.17: 0.88:1 and 1:1 respectively).

(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.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

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 £7,426,000 (31.12.17: £4,622,000). A 5% decrease would have an equal and opposite effect.

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

(G) DERIVATIVES

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

15. Portfolio Transaction Costs

31.12.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	84,936	89	61	85,086
Purchases total	<u>84,936</u>	<u>89</u>	<u>61</u>	<u>85,086</u>
<i>Transaction cost % of purchases total</i>		<i>0.10%</i>	<i>0.07%</i>	
<i>Transaction cost % of average NAV</i>		<i>0.06%</i>	<i>0.05%</i>	
Ordinary shares	24,747	(49)	–	24,698
Sales total	<u>24,747</u>	<u>(49)</u>	<u>–</u>	<u>24,698</u>
<i>Transaction cost % of sales total</i>		<i>0.20%</i>	<i>–</i>	
<i>Transaction cost % of average NAV</i>		<i>0.03%</i>	<i>–</i>	

Average portfolio dealing spread at 31.12.18 is 3.37% (31.12.17: 3.04%).

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

31.12.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	36,772	52	26	36,850
Purchases total	<u>36,772</u>	<u>52</u>	<u>26</u>	<u>36,850</u>
<i>Transaction cost % of purchases total</i>		0.14%	0.07%	
<i>Transaction cost % of average NAV</i>		0.06%	0.03%	
Ordinary shares	21,664	(65)	(1)	21,598
Sales total	<u>21,664</u>	<u>(65)</u>	<u>(1)</u>	<u>21,598</u>
<i>Transaction cost % of sales total</i>		0.30%	–	
<i>Transaction cost % of average NAV</i>		0.08%	–	

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.

31.12.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	148,195	330	–	148,525

31.12.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	92,433	–	–	92,433

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 December 2018 – in pence per share

EQUALISATION

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

Group 2	Interim	Final
From	01.01.18	01.07.18
To	30.06.18	31.12.18

'A' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31.08.18	Allocated 31.08.17
Group 1	23.3320	–	23.3320	10.0860
Group 2	23.3320	0.0000	23.3320	10.0860

Final	Net Revenue	Equalisation	Allocation 30.04.19	Allocated 30.04.18
Group 1	11.3321	–	11.3321	5.0418
Group 2	11.3321	0.0000	11.3321	5.0418

'B' RETAIL INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31.08.18	Paid 31.08.17
Group 1	0.3240	–	0.3240	0.1880
Group 2	0.3240	0.0000	0.3240	0.1880

'B' RETAIL ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31.08.18	Allocated 31.08.17
Group 1	0.3815	–	0.3815	–
Group 2	0.3815	0.0000	0.3815	–

There was no final distribution for the 'B' Retail Income and 'B' Retail Accumulation classes.

FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*
'C' INSTITUTIONAL INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31.08.18	Paid 31.08.17
Group 1	0.8861	–	0.8861	0.4271
Group 2	0.7736	0.1125	0.8861	0.4271
Final	Net Revenue	Equalisation	Payable 30.04.19	Paid 30.04.18
Group 1	0.4704	–	0.4704	0.2034
Group 2	0.4247	0.0457	0.4704	0.2034

'C' INSTITUTIONAL ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31.08.18	Allocated 31.08.17
Group 1	0.9119	–	0.9119	0.3873
Group 2	0.8380	0.0739	0.9119	0.3873
Final	Net Revenue	Equalisation	Allocation 30.04.19	Allocated 30.04.18
Group 1	0.4459	–	0.4459	0.1997
Group 2	0.3010	0.1449	0.4459	0.1997

'D' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 30.04.19
Group 1	0.1112	–	0.1112
Group 2	0.0000	0.1112	0.1112

'D' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 30.04.19
Group 1	0.1200	–	0.1200
Group 2	0.1200	0.0000	0.1200

There was no interim distribution for the 'D' Income and 'D' Accumulation classes as the share classes launched 2 November 2018.

GENERAL INFORMATION

Valuation Point

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

Buying and Selling Shares

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

Prices

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

Other Information

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

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

Data Protection Act

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



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