

LF Gresham House Equity Funds

(Formerly LF Livingbridge Equity Funds)

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

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



AUTHORISED CORPORATE DIRECTOR ('ACD')

LINK FUND SOLUTIONS LIMITED

Head Office:
6th Floor
65 Gresham Street
London EC2V 7NQ
Telephone: 0870 607 2555
Fax: 0870 607 2550
Email: investorservices@linkgroup.co.uk
(Authorised and regulated by the Financial Conduct Authority)

DIRECTORS OF THE ACD

C. Addenbrooke
N. Boyling
B. Hammond
P. Hugh-Smith
K.J. Midl
A.J. Stuart

INVESTMENT MANAGER

GRESHAM HOUSE ASSET MANAGEMENT LIMITED

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

DEPOSITARY

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

One Canada Square
London E14 5AL
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority)

REGISTRAR

LINK FUND ADMINISTRATORS LIMITED

Customer Service Centre:
Arlington Business Centre
Millshaw Park Lane
Leeds LS11 0PA
Telephone: 0345 922 0044
Fax: 0113 224 6001
(Authorised and regulated by the Financial Conduct Authority)

INDEPENDENT AUDITOR

KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds LS1 4DA
(Chartered Accountants)

CONTENTS

ACD's Report	2
Authorised Status	2
Important Information	2
Remuneration Policy	2
Securities Financing Transactions	4
Director's Statement	5
Statement of ACD's Responsibilities	6
Statement of Depositary's Responsibilities	7
Report of the Depositary	7
Independent Auditor's Report to the Shareholders of LF Gresham House Equity Funds	8
LF GRESHAM HOUSE UK MULTI CAP INCOME FUND	
ACD's Report	11
Important Information	11
Investment Objective and Policy	11
Investment Manager's Report	12
Fund Information	15
Portfolio Statement	21
Summary of Material Portfolio Changes	26
FINANCIAL STATEMENTS	
Statement of Total Return	27
Statement of Change in Net Assets Attributable to Shareholders	27
Balance Sheet	28
Notes to the Financial Statements	29
Distribution Table	40
General Information	44

ACD'S REPORT

for the year ended 31 December 2018

Authorised Status

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

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

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

Important Information

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;
- The name of the LF Livingbridge Equity Funds changed to LF Gresham House Equity Funds; and
- The name of the LF Livingbridge UK Multi Cap Income Fund changed to LF Gresham House UK Multi Cap Income Fund.

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

On 1 February 2019 a new sub-fund, the LF Gresham House UK Smaller Companies Fund was launched. Further details on this sub-fund are available in the latest Company Prospectus.

Remuneration Policy

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

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

LFSL delegates portfolio management for the funds to various investment management firms. The portfolio managers' fees and expense for providing investment management services are paid by the ACD out of its own remuneration under the ACD agreement. The investment management firms 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

ACD'S REPORT *continued*

Remuneration Policy *continued*

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 funds, nor are they remunerated by reference to the performance of any individual fund. Accordingly, the information below is for LFSL as a whole. No attempt has been made to attribute remuneration to the Company itself.

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. 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 Company was valued at £13 million as at 30 June 2018 and represented 0.02% of LFSL's total AuM and 0.03% of its UCITS AuM (31.12.17: this Company was valued at £7 million and represented 0.01% of LFSL's total AuM and 0.02% of its UCITS AuM).

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

ACD'S REPORT *continued*

Remuneration Policy *continued*

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	–	–	–	–

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

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

Further details can be found at www.linkfundsolutions.co.uk/assets/media/LFS_Explanation_of_Compliance_with_Remuneration_Code.pdf.

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.

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House Equity Funds

12 April 2019

DIRECTOR'S STATEMENT

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

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House Equity Funds

12 April 2019

STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes sourcebook published by the FCA ('the COLL Rules') 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 its sub-fund, and of the net revenue/expense and net capital gains/losses on the property of the Company's sub-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 Company and its sub-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 Company or its sub-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 Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

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

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

REPORT OF THE DEPOSITARY

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

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

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Depositary of LF Gresham House Equity Funds

12 April 2019

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

Opinion

We have audited the financial statements of the LF Gresham House Equity Funds ("the Company") 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 Tables* of the Company's sub-fund set out on pages 27 to 43 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 sub-fund as at 31 December 2018 and of the net revenue and the net capital losses on the property of the sub-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 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.

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 Company'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 Company'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 EQUITY FUNDS *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 Company or its sub-fund or to cease their operations, and as they have concluded that the Company and its sub-fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 Company's and its sub-fund's business model, including the impact of Brexit, and analysed how those risks might affect the Company's and its sub-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 Company or its sub-fund will continue in operation.

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.

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

Authorised Corporate Director's Responsibilities

As explained more fully in their statement set out on page 6 the Authorised Corporate Director (Link Fund Solutions Limited) 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 Company and its sub-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 Company or its sub-fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

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

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

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.

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

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

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

for the year ended 31 December 2018

Important Information

Please refer to the Important Information section on page 2.

Investment Objective and Policy

The investment objective of LF Gresham House UK Multi Cap Income Fund ('the Fund') is to deliver a return of income with a potential for capital growth.

The Fund will be invested primarily in small and mid-sized companies and the Fund will also hold larger capitalised companies. Investment will be predominantly in the shares of UK listed companies. The Fund considers UK companies to be those companies which are incorporated in the UK and/or have a significant proportion of their operations in the UK. It may also invest in unlisted UK securities, UK government and/or corporate debt securities, collective investment schemes (no more than 10% of net asset value), money market instruments and cash and cash equivalents.

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

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Multi Cap Income Fund

12 April 2019

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2018

Investment Strategy

The Fund was launched on 30 June 2017 with a policy of investing primarily in small and mid-cap companies, as well as holding large cap companies, and an objective of delivering a return of income with a potential for capital growth. These companies are predominantly UK listed equities. In annual terms the Fund currently is targeting a 4% yield and a high single digit total return.

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

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

Movements in Net Asset Value

During the period the gross NAV of the Fund increased from £6.8m to £32.4m, of which 92.2% was invested in UK equities – 88.9% in small and mid-cap and 3.3% in large cap. The NAV increased due to net inflows from shareholders amounting to £29.0m, which offset a negative revaluation of the portfolio of £3.0m. The Fund made a modest capital loss of 2.4% over the period (C Accumulation share class) but performed well relative to the IA UK Equity Income Sector, which was down 10.6%, driven by some notable periods of market volatility during the period. The Fund generated a dividend yield of 4.99% in the period (C Income share class), which compared to the FTSE All Share yield of 4.7%¹.

Investment Activity

During the period new investment activity was strong as inflows were deployed into a combination of new positions and follow on investments into portfolio companies. A total of £29.2m was invested into a combination of new and existing companies. During the period the number of portfolio companies increased from 43 to 47 due to twelve new investments, seven divestments and one holding that was acquired.

The level and quality of equity issuance in the UK small and mid-cap segment remained relatively strong during most of the period despite an elevated level of geopolitical and economic uncertainty and lingering Brexit concerns created by the EU referendum. However, towards the end of the period there was a marked increase in UK market volatility, elevated selling pressure on UK equities and a reduction in dealflow activity. A key differentiating feature of the Fund's investment process is its ability to leverage the wider platform and private equity resource and network to evaluate new opportunities.

¹ The FTSE All Share is used for comparison only. No benchmark is required to be disclosed per the prospectus.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

The Manager believes it is strongly positioned amongst UK fund managers to effectively evaluate new companies being admitted to the market through an Initial Public Offering ('IPO'). In line with this, the Fund participated in two IPOs during the period: Knights Group, a UK legal services business, and finnCap, a provider of UK investment banking services.

The Manager was also active in evaluating equity placings conducted by existing listed businesses and made three new investments and five follow-on investments as part of these fundraisings.

Four of the full exits during the period were Royal Mail, after announcing, as part of a trading update, that UK productivity performance was below plan; EMIS, a healthcare software provider where we exited immediately following its profit warning; Impax Asset Management, an investment management business focused on environmental and sustainability investing, where the stock had appreciated materially over the holding period, fulfilling its role in the portfolio as a capital growth contributor; and Low & Bonar, a provider of polymers and specialist materials, following a profit warning and CEO departure in the prior month.

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

Despite negative absolute performance of 2.4%, the Fund outperformed on a relative basis during the period, placed 3rd out of 88 in the IA UK Equity Income Sector. The Fund's NAV per share decreased by 2.4% during the period (based on C Accumulation share class).

Broader market volatility impacted a number of investments across the portfolio that experienced negative performance which was uncorrelated with company specific business and trading performance. Aside from Royal Mail, EMIS and Low & Bonar, a notable detractor was Numis Corporation, a provider of UK investment banking services, which announced a weaker second half of trading following a comparatively strong first half.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

There was a select group of strong performers, one of which was an IPO during the period, Knights Group, another of which, Hogg Robinson, a provider of corporate travel management solutions, was acquired by American Express. Telecom Plus, multi utility re-seller for consumers and businesses, performed well following good trading and results, as did Impax Asset Management after announcing positive net inflows. In the case of Impax, this was a company well-known to the Manager over multiple years which showed good sustainability of income and dividend growth potential, linked to asset gathering in the attractive environmental sector, resulting in further strong performance during the period.

Outlook

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

The Manager's expectation of increasing market volatility played out during the period, particularly over the final quarter of 2018 where macro and geopolitical uncertainty weighed on sentiment and where global and UK equity markets saw notable selling pressure. UK equity markets saw a correction in trading valuations as well as a decline in dealflow activity. However, the Manager believes the Fund is well-positioned due to the underlying resilience of the portfolio companies and also the attractive investment opportunities, both from a capital growth and yield perspective, in areas where stock have experienced sharp price falls. Our investment strategy remains consistent regardless of wider market uncertainties. We seek to avoid more volatile and cyclical sectors and focus instead on companies that should be capable of delivering stable and growing earnings streams, good cash flows and dividends even in a more challenging economic environment. We believe that a period of volatility should suit our fundamentals focused investment style, relative to the wider sector.

Source for all data: Gresham House Asset Management Ltd.

GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Investment Manager

21 February 2019

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION

Risk and Reward Profile



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

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.

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.

Counterparty Risk: As the Fund may enter into derivative arrangements there is a risk that other parties may fail to meet their obligations. This may lead to delays in receiving amounts due to the Fund, receiving less than is due or receiving nothing.

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'.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

'C' STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 ¹ pence per share
Opening net asset value per share	106.51	100.00
Return before operating charges*	(1.36)	8.97
Operating charges	(1.06)	(0.97)
Return after operating charges	(2.42)	8.00
Distributions	(5.06)	(1.49)
Closing net asset value per share	99.03	106.51
* after direct transaction costs of:	0.81	0.77

PERFORMANCE

Return after charges	(2.27)%	8.00%
----------------------	---------	-------

OTHER INFORMATION

Closing net asset value (£'000)	1,064	37
Closing number of shares	1,073,924	34,563
Operating charges	0.97%	1.88% ²
Direct transaction costs	0.74%	1.49% ²

PRICES

Highest share price	116.85	108.37
Lowest share price	100.66	99.88

¹ From 30 June 2017.

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 ¹ pence per share
Opening net asset value per share	107.82	100.00
Return before operating charges*	(1.76)	8.79
Operating charges	(1.10)	(0.97)
Return after operating charges	(2.86)	7.82
Distributions	(5.20)	(1.50)
Retained distributions on accumulation shares	5.20	1.50
Closing net asset value per share	104.96	107.82
* after direct transaction costs of:	0.84	0.77

PERFORMANCE

Return after charges	(2.65)%	7.82%
----------------------	---------	-------

OTHER INFORMATION

Closing net asset value (£'000)	6,298	–
Closing number of shares	6,000,232	250
Operating charges	0.97%	1.88% ²
Direct transaction costs	0.74%	1.49% ²

PRICES

Highest share price	119.28	108.80
Lowest share price	104.85	99.88

¹ From 30 June 2017.

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'F' STERLING INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17 ¹ pence per share
Opening net asset value per share	106.77	100.00
Return before operating charges*	(1.37)	9.16
Operating charges	(0.90)	(0.89)
Return after operating charges	(2.27)	8.27
Distributions	(5.07)	(1.50)
Closing net asset value per share	99.43	106.77
* after direct transaction costs of:	0.81	0.77

PERFORMANCE

Return after charges	(2.13)%	8.27%
----------------------	---------	-------

OTHER INFORMATION

Closing net asset value (£'000)	19,451	961
Closing number of shares	19,563,672	900,250
Operating charges	0.82%	1.73% ²
Direct transaction costs	0.74%	1.49% ²

PRICES

Highest share price	117.23	108.64
Lowest share price	101.06	99.88

¹ From 30 June 2017.

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

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

Comparative Tables *continued*

'F' STERLING ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.18 pence per share	31.12.17¹ pence per share
Opening net asset value per share	108.14	100.00
Return before operating charges*	(1.76)	9.04
Operating charges	(0.93)	(0.90)
Return after operating charges	(2.69)	8.14
Distributions	(5.22)	(1.50)
Retained distributions on accumulation shares	5.22	1.50
Closing net asset value per share	105.45	108.14
* after direct transaction costs of:	0.84	0.77

PERFORMANCE

Return after charges	(2.49)%	8.14%
----------------------	---------	-------

OTHER INFORMATION

Closing net asset value (£'000)	5,632	5,776
Closing number of shares	5,340,855	5,340,855
Operating charges	0.82%	1.73% ²
Direct transaction costs	0.74%	1.49% ²

PRICES

Highest share price	119.75	109.12
Lowest share price	105.21	99.87

¹ From 30 June 2017.

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

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

Fund Performance to 31 December 2018 (%)

	1 year	Since launch ¹
LF Gresham House UK Multi Cap Income Fund	(2.20)	6.72

¹ Fund launched 30 June 2017.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 40 to 43.

RISK WARNING

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	UNITED KINGDOM – 84.51% (31.12.17 – 84.44%)		
	INDUSTRIALS – 27.68% (31.12.17 – 35.41%)		
	CONSTRUCTION & MATERIALS – 8.39% (31.12.17 – 11.40%)		
268,500	Costain	847	2.61
633,000	Epwin ¹	459	1.41
226,000	Nexus Infrastructure ¹	429	1.32
249,375	Norcros	474	1.46
219,000	Tyman	515	1.59
		<u>2,724</u>	<u>8.39</u>
	INDUSTRIAL GOODS & SERVICES – 2.39% (31.12.17 – 2.11%)		
5,026,960	Inspired Energy ¹	774	2.39
	ELECTRONIC & ELECTRICAL EQUIPMENT – 1.58% (31.12.17 – 2.18%)		
141,318	discoverIE	513	1.58
	INDUSTRIAL ENGINEERING – 1.51% (31.12.17 – 2.08%)		
41,450	Vitec	491	1.51
	INDUSTRIAL TRANSPORTATION – 1.74% (31.12.17 – 3.14%)		
250,000	Clipper Logistics	563	1.74
	SUPPORT SERVICES – 12.07% (31.12.17 – 14.50%)		
402,731	Charles Taylor Consulting	866	2.67
250,098	Knights ¹	438	1.35
71,000	Ricardo	433	1.33

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
307,601	SafeCharge International ¹	707	2.18
37,086	Staffline ¹	449	1.38
1,013,804	Vianet ¹	1,024	3.16
		3,917	12.07
	TOTAL INDUSTRIALS	8,982	27.68
	CONSUMER GOODS – 7.84% (31.12.17 – 7.44%)		
	FOOD PRODUCERS – 1.61% (31.12.17 – 2.13%)		
511,000	Finsbury Food ¹	521	1.61
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 3.44% (31.12.17 – 5.31%)		
114,600	Headlam	470	1.45
320,155	Watkin Jones ¹	648	1.99
		1,118	3.44
	LEISURE GOODS – 2.79% (31.12.17 – 0.00%)		
29,776	Games Workshop	904	2.79
	TOTAL CONSUMER GOODS	2,543	7.84
	CONSUMER SERVICES – 18.08% (31.12.17 – 10.23%)		
	MEDIA – 14.02% (31.12.17 – 8.19%)		
30,000	4imprint	554	1.71
531,000	Bloomsbury Publishing	1,051	3.24
132,500	Next Fifteen Communications ¹	636	1.96
271,633	Tarsus	720	2.22
400,563	TEN Entertainment	881	2.71
404,183	Wilmington	707	2.18
		4,549	14.02

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	TRAVEL & LEISURE – 4.06% (31.12.17 – 2.04%)		
1,476,308	Arena Events ¹	842	2.60
203,800	Domino's Pizza	475	1.46
		<u>1,317</u>	<u>4.06</u>
	TOTAL CONSUMER SERVICES	<u>5,866</u>	<u>18.08</u>
	TELECOMMUNICATIONS – 6.56% (31.12.17 – 5.06%)		
	FIXED LINE TELECOMMUNICATIONS – 3.30% (31.12.17 – 1.95%)		
74,750	Telecom Plus	<u>1,070</u>	<u>3.30</u>
	MOBILE TELECOMMUNICATIONS – 3.26% (31.12.17 – 3.11%)		
691,000	Vodafone	<u>1,057</u>	<u>3.26</u>
	TOTAL TELECOMMUNICATIONS	<u>2,127</u>	<u>6.56</u>
	FINANCIALS – 18.20% (31.12.17 – 18.21%)		
	FINANCIAL SERVICES – 10.87% (31.12.17 – 10.72%)		
225,500	Brewin Dolphin	727	2.24
892,857	FinnCap ¹	250	0.77
117,944	Mattioli Woods ¹	778	2.40
133,494	Mortgage Advice Bureau ¹	670	2.06
91,500	Numis	216	0.67
553,500	XPS Pensions	886	2.73
		<u>3,527</u>	<u>10.87</u>
	REAL ESTATE INVESTMENT & SERVICES – 3.82% (31.12.17 – 4.34%)		
762,500	Belvoir Lettings ¹	664	2.05
523,000	Property Franchise	575	1.77
		<u>1,239</u>	<u>3.82</u>

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	REAL ESTATE INVESTMENT TRUSTS – 1.75% (31.12.17 – 2.13%)		
112,700	Safestore	570	1.75
	EQUITY INVESTMENT INSTRUMENTS – 1.76% (31.12.17 – 1.02%)		
619,885	Orchard Funding	570	1.76
	TOTAL FINANCIALS	5,906	18.20
	HEALTH CARE – 1.67% (31.12.17 – 1.79%)		
	PHARMACEUTICALS & BIOTECHNOLOGY – 1.67% (31.12.17 – 1.79%)		
18,060	Bioventix ¹	542	1.67
	TECHNOLOGY – 4.48% (31.12.17 – 6.30%)		
	SOFTWARE & COMPUTER SERVICES – 4.48% (31.12.17 – 6.30%)		
110,000	IDOX ¹	30	0.09
49,550	Netcall ¹	15	0.05
832,000	Oxford Metrics	591	1.82
938,647	Sanderson ¹	816	2.52
	TOTAL SOFTWARE & COMPUTER SERVICES	1,452	4.48
	TOTAL UNITED KINGDOM	27,418	84.51
	GUERNSEY – 2.10% (31.12.17 – 3.50%)		
1,573,000	Duke Royalty ¹	683	2.10
	ISLE OF MAN – 6.02% (31.12.17 – 5.89%)		
604,000	Manx Telecom ¹	930	2.87
725,000	Strix ¹	1,022	3.15
		1,952	6.02

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2018

Holding	Portfolio of Investments	Value £'000	31.12.18 %
	Portfolio of investments	30,053	92.63
	Net other assets	<u>2,392</u>	<u>7.37</u>
	Net assets	<u>32,445</u>	<u>100.00</u>

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

¹ AIM – Alternative Investment Market.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2018

Total purchases for the year £'000 (note 15)	29,243	Total sales for the year £'000 (note 15)	2,248
	Cost £'000	Sales	Proceeds £'000
Major purchases			
Vodafone	1,008	Royal Mail	579
Vianet	1,003	Micro Focus	461
Costain	1,001	BT	431
XPS Pensions	999	Hogg Robinson	229
Bloomsbury Publishing	947	Impax Asset Management	161
Charles Taylor Consulting	916	Low & Bonar	143
Strix	891	3I Infrastructure	126
Games Workshop	886	EMIS	118
Arena Events	870		
Manx Telecom	857		

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

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

for the year ended 31 December 2018

	Notes	£'000	31.12.18 £'000	£'000	31.12.17 ¹ £'000
Income:					
Net capital (losses)/gains	3		(3,300)		284
Revenue	4	758		66	
Expenses	5	(146)		(34)	
Net revenue before taxation		612		32	
Taxation	6	–		–	
Net revenue after taxation			612		32
Total return before distributions			(2,688)		316
Distributions	7		(757)		(66)
Change in net assets attributable to shareholders from investment activities			(3,445)		250

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 ¹ £'000
Opening net assets attributable to shareholders		6,774		–
Amounts receivable on issue of shares	29,988		6,458	
Amounts payable on redemption of shares	(1,360)		–	
		28,628		6,458
Change in net assets attributable to shareholders from investment activities		(3,445)		250
Retained distributions on Accumulation shares		488		66
Closing net assets attributable to shareholders		32,445		6,774

¹ For the period from 30 June 2017 to 31 December 2017.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND
FINANCIAL STATEMENTS *continued*
BALANCE SHEET

as at 31 December 2018

	Notes	31.12.18 £'000	31.12.17 £'000
ASSETS			
Fixed assets			
Investments		30,053	6,356
Current assets			
Debtors	8	423	28
Cash and bank balances	9	2,570	420
Total assets		<u>33,046</u>	<u>6,804</u>
LIABILITIES			
Creditors			
Distribution payable	10	(209)	(8)
Other creditors	10	(392)	(22)
Total liabilities		<u>(601)</u>	<u>(30)</u>
Net assets attributable to shareholders		<u>32,445</u>	<u>6,774</u>

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

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 year and prior period, 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 initially 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.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

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.

(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 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) 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.

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.

Interim distributions may be made at the ACD's discretion and the balance of revenue is distributed in accordance with the COLL Sourcebook.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

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 sub-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	For the period from 30.06.17 to 31.12.17 £'000
Non-derivative securities	(3,298)	285
Transaction charges	(2)	(1)
Net capital (losses)/gains	<u>(3,300)</u>	<u>284</u>

4. Revenue

	31.12.18 £'000	For the period from 30.06.17 to 31.12.17 £'000
Non-taxable dividends	750	66
UK property income distributions	5	–
Bank interest	3	–
Total revenue	<u>758</u>	<u>66</u>

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

5. Expenses

	31.12.18 £'000	For the period from 30.06.17 to 31.12.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	110	12
Legal and professional fees	5	9
Typesetting costs	5	1
Registration fees	5	1
	125	23
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	11	4
Safe custody and other bank charges	3	–
	14	4
Other expenses:		
Audit fees	7	7
Total expenses	146	34

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

	31.12.18 £'000	For the period from 30.06.17 to 31.12.17 £'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)	–	–

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

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	For the period from 30.06.17 to 31.12.17 £'000
Net revenue before taxation	612	32
Corporation tax at 20%	122	6
Effects of:		
Non-taxable dividends	(150)	(13)
Unutilised excess management expenses	28	7
Corporation tax charge	–	–
Total tax charge (note 6a)	–	–

c) Deferred tax

At the year end there is a potential deferred tax asset of £35,000 (31.12.17: £7,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current year or prior period.

7. Distributions

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

	31.12.18 £'000	For the period from 30.06.17 to 31.12.17 £'000
First Interim	63	–
Second Interim	197	22
Third Interim	325	–
Final	328	56
	913	78
Add: Revenue deducted on redemption of shares	7	–
Deduct: Revenue received on issue of shares	(163)	(12)
Net distributions for the year	757	66

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

Details of the distributions per share are set out in the table on pages 40 to 43.

	31.12.18 £'000	For the period from 30.06.17 to 31.12.17 £'000
Distributions represented by:		
Net revenue after taxation	612	32
Allocations to capital:		
Expenses, net of tax relief	145	34
Net distributions for the year	<u>757</u>	<u>66</u>

8. Debtors

	31.12.18 £'000	31.12.17 £'000
Amounts receivable for issue of shares	279	1
Accrued revenue:		
Non-taxable dividends	144	27
Total debtors	<u>423</u>	<u>28</u>

9. Cash and Bank Balances

	31.12.18 £'000	31.12.17 £'000
Bank balances	<u>2,570</u>	<u>420</u>
Total cash and bank balances	<u>2,570</u>	<u>420</u>

10. Creditors

	31.12.18 £'000	31.12.17 £'000
Distribution payable	<u>209</u>	<u>8</u>
Other Creditors		
Amounts payable for redemption of shares	361	–

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

	31.12.18 £'000	31.12.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	18	3
Legal and professional fees	1	9
Typesetting costs	2	1
Registration fees	1	–
	22	13
Amounts payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fees	1	1
Safe custody and other bank charges	1	–
	2	1
Other expenses	7	8
Total other creditors	392	22

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 27 and 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:

Harewood Nominees Limited	54.82% (31.12.17: nil)
---------------------------	------------------------

12. Contingent Liabilities and Commitments

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

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

13. Shares in Issue

	'C' Sterling Income	'C' Sterling Accumulation	'F' Sterling Income	'F' Sterling Accumulation
Annual Management Charge	0.75%	0.75%	0.60%	0.60%
Opening shares in issue	34,563	250	900,250	5,340,855
Issues	1,261,072	7,012,027	18,663,422	–
Redemptions	(221,711)	(1,012,045)	–	–
Closing shares in issue	<u>1,073,924</u>	<u>6,000,232</u>	<u>19,563,672</u>	<u>5,340,855</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.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

(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.

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

(D) LEVERAGE

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

(E) LIQUIDITY RISK

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

To reduce liquidity risk the Investment 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.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,503,000 (31.12.17: £318,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

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

15. Portfolio Transaction Costs

31.12.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	29,119	51	73	29,243
Purchases total	<u>29,119</u>	<u>51</u>	<u>73</u>	<u>29,243</u>
<i>Transaction cost % of purchases total</i>		0.18%	0.25%	
<i>Transaction cost % of average NAV</i>		0.30%	0.42%	
Ordinary shares	2,251	(3)	–	2,248
Sales total	<u>2,251</u>	<u>(3)</u>	<u>–</u>	<u>2,248</u>
<i>Transaction cost % of sales total</i>		0.13%	–	
<i>Transaction cost % of average NAV</i>		0.02%	–	

Average portfolio dealing spread at 31.12.18 is 2.55% (31.12.17: 2.12%).

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2018

For the period from 30.06.17 to 31.12.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	6,066	16	14	6,096
Purchases total	<u>6,066</u>	<u>16</u>	<u>14</u>	<u>6,096</u>
<i>Transaction cost % of purchases total</i>		0.26%	0.23%	
<i>Transaction cost % of average NAV</i>		0.39%	0.34%	
Ordinary shares	24	–	–	24
Sales total	<u>24</u>	<u>–</u>	<u>–</u>	<u>24</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

16. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs.

31.12.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>30,053</u>	<u>–</u>	<u>–</u>	<u>30,053</u>
31.12.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>6,356</u>	<u>–</u>	<u>–</u>	<u>6,356</u>

17. Subsequent Events

As at 11 April 2019, the net asset value of the Fund has risen by 16.77% compared with that at 31 December 2018, primarily due to the movement in market value of the underlying securities. These accounts were approved on 12 April 2019.

LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

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	First Interim	Second Interim	Third Interim	Final
From	01.01.18	01.04.18	01.07.18	01.10.18
To	31.03.18	30.06.18	30.09.18	31.12.18

'C' STERLING INCOME SHARES¹

First Interim	Net Revenue	Equalisation	Paid 31.05.18	Paid 31.05.17
Group 1	0.9124	–	0.9124	n/a
Group 2	0.7935	0.1189	0.9124	n/a

Second Interim	Net Revenue	Equalisation	Paid 31.08.18	Paid 31.08.17
Group 1	1.8154	–	1.8154	–
Group 2	1.5478	0.2676	1.8154	–

Third Interim	Net Revenue	Equalisation	Paid 30.11.18	Paid 30.11.17
Group 1	1.3221	–	1.3221	0.6092
Group 2	1.0960	0.2261	1.3221	0.6092

Final	Net Revenue	Equalisation	Payable 28.02.19	Paid 28.02.18
Group 1	1.0074	–	1.0074	0.8854
Group 2	0.6145	0.3929	1.0074	0.8854

¹ Fund launched on 30 June 2017.

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

'C' STERLING ACCUMULATION SHARES¹

First Interim	Net Revenue	Equalisation	Allocated 31.05.18	Allocated 31.05.17
Group 1	0.9207	–	0.9207	n/a
Group 2	0.6886	0.2321	0.9207	n/a
Second Interim	Net Revenue	Equalisation	Allocated 31.08.18	Allocated 31.08.17
Group 1	1.8531	–	1.8531	–
Group 2	0.7092	1.1439	1.8531	–
Third Interim	Net Revenue	Equalisation	Allocated 30.11.18	Allocated 30.11.17
Group 1	1.3702	–	1.3702	0.6120
Group 2	1.0903	0.2799	1.3702	0.6120
Final	Net Revenue	Equalisation	Allocation 28.02.19	Allocated 28.02.18
Group 1	1.0567	–	1.0567	0.8840
Group 2	0.3856	0.6711	1.0567	0.8840

¹ Fund launched on 30 June 2017.

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

'F' STERLING INCOME SHARES¹

First Interim	Net Revenue	Equalisation	Paid 31.05.18	Paid 31.05.17
Group 1	0.9152	–	0.9152	n/a
Group 2	0.9152	0.0000	0.9152	n/a
Second Interim	Net Revenue	Equalisation	Paid 31.08.18	Paid 31.08.17
Group 1	1.8195	–	1.8195	–
Group 2	1.1823	0.6372	1.8195	–
Third Interim	Net Revenue	Equalisation	Paid 30.11.18	Paid 30.11.17
Group 1	1.3288	–	1.3288	0.6087
Group 2	0.5768	0.7520	1.3288	0.6087
Final	Net Revenue	Equalisation	Payable 28.02.19	Paid 28.02.18
Group 1	1.0110	–	1.0110	0.8889
Group 2	0.5912	0.4198	1.0110	0.8889

¹ Fund launched on 30 June 2017.

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

'F' STERLING ACCUMULATION SHARES¹

First Interim	Net Revenue	Equalisation	Allocated 31.05.18	Allocated 31.05.17
Group 1	0.9269	–	0.9269	n/a
Group 2	0.9269	0.0000	0.9269	n/a
Second Interim	Net Revenue	Equalisation	Allocated 31.08.18	Allocation 31.08.17
Group 1	1.8576	–	1.8576	–
Group 2	1.8576	0.0000	1.8576	–
Third Interim	Net Revenue	Equalisation	Allocated 30.11.18	Allocated 30.11.17
Group 1	1.3768	–	1.3768	0.6103
Group 2	1.3768	0.0000	1.3768	0.6103
Final	Net Revenue	Equalisation	Allocation 28.02.19	Allocated 28.02.18
Group 1	1.0616	–	1.0616	0.8939
Group 2	1.0616	0.0000	1.0616	0.8939

¹ Fund launched on 30 June 2017.

GENERAL INFORMATION

Structure of LF Gresham House Equity Funds

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

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

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

LF Gresham House UK Multi Cap Income Fund.

LF Gresham House UK Smaller Companies Fund (launched 1 February 2019).

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

Valuation Point

The current valuation point is 12.00 noon (London time) on each Dealing Day, with the exception of a bank holiday in England and Wales, or the last Business Day prior to those days annually where the valuation may be carried out at a time agreed in advance between the ACD and the Depositary.

Buying and Selling Shares

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

Prices

The prices of all shares are published on the website of the ACD: www.linkfundsolutions.co.uk and 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 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.

GENERAL INFORMATION *continued*

Data Protection Act

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



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

 0870 607 2555

 0870 607 2550

 linkfundsolutions.co.uk

Part of **Link Group**