

**VT TEVIOT FUNDS ICVC**  
**(Sub-fund VT Teviot UK Smaller Companies Fund)**

**Annual Report and Financial Statements**  
**for the year ended 31 December 2021**

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## COMPANY OVERVIEW

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### **Type of Company**

VT Teviot Funds ICVC (the 'Company') is an investment company (company number IC001094) with variable capital incorporated in England and Wales under the Open Ended Investment Company Regulations 2001 (SI2001/1228).

The Company was incorporated and authorised by the Financial Conduct Authority on 31 July 2017.

The Company is a UCITS scheme and is an umbrella company (as defined in the OEIC Regulations). Each Sub-fund would be a UCITS scheme if it had a separate authorisation order.

The shareholders are not liable for the debts of the Company.

## STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S (ACD'S) RESPONSIBILITIES

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

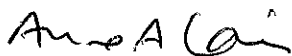
- > comply with the Prospectus, the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards, subject to any material departures which are required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

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

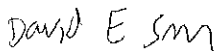
## DIRECTOR'S STATEMENT

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



Anne A. Laing CA



David E. Smith CA

Valu-Trac Investment Management Limited  
Authorised Corporate Director

Date 15 March 2022

## STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

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

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

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

The Depositary must ensure that:

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

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

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

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

NatWest Trustee and Depositary Services Limited  
01 January 2022

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VT TEVIOT FUNDS ICVC (SUB-FUND VT TEVIOT UK SMALLER COMPANIES FUND)**

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**Opinion**

We have audited the financial statements of VT Teviot Funds ICVC ("the Company") for the year ended 31 December 2021 which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet, the related Notes to the Financial Statements, including significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

> give a true and fair view of the financial position of the Company at 31 December 2021 and of the net revenue and the net capital gains on the scheme property of the Company for the year then ended; and

> have been properly prepared in accordance with the IA Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation.

**Basis for Opinion**

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

**Conclusions Relating to Going Concern**

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

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

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

**Other Information**

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

We have nothing to report in this regard.

**Opinion on Other Matters Prescribed by the COLL Regulations**

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

> Proper accounting records for the Company have been kept and the accounts are in agreement with those records;

> We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and

> The information given in the report of the Authorised Corporate Director for the year is consistent with the financial statements.

**Responsibilities of the Authorised Corporate Director**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

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

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- > Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Authorised Corporate Director in its calculation of accounting estimates for potential management bias; and

- > Assessing the Company's compliance with the key requirements of the Collective Investment Schemes Sourcebook and its Prospectus."

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

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

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material risk due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

**Use of Our Report**

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



Johnston Carmichael LLP  
Chartered Accountants  
Statutory Auditor  
Elgin

Date 21 March 2022



## SUB-FUND OVERVIEW

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<b>Name of Sub-fund</b>	VT Teviot UK Smaller Companies Fund
<b>Size of Sub-fund</b>	£87,288,179
<b>Launch date</b>	29 August 2017
<b>Sub-fund objective and policy</b>	<p>The investment objective of the VT Teviot UK Smaller Companies Fund is to achieve a total return (of growth and income, after fees) greater than the Benchmark Index over the long term. The Benchmark Index is the Numis Smaller Companies Index (including AIM but excluding investment Companies).</p> <p>The Sub-fund will seek to achieve its investment objective by investing in a diversified portfolio of companies which shall primarily consist of small UK quoted companies. Small companies are those having a market capitalisation, at the time of purchase, equal to or lower than the largest company in the Numis Smaller Companies Index (including AIM but excluding investment companies).</p> <p>The investments held by the Sub-fund will be primarily in companies domiciled, incorporated or having a significant part of their business in the UK.</p> <p>The Manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investments by industrial sectors.</p> <p>In seeking investments the approach will be fundamental in nature: rigorous financial analysis of prospective and existing investments and regular contact with the management of these companies. The emphasis within the portfolio will reflect the desire to invest in companies whose shares represent relatively attractive value within the given stock market context.</p> <p>The Sub-fund's eligible markets, as defined in COLL, include the Official List of the London Stock Exchange plc ("LSE") and the Alternative Investment Market ("AIM") of the LSE. The Sub-fund's base currency is Pounds Sterling.</p> <p>The Sub-fund will not invest in any immovable property or tangible moveable property.</p> <p>In addition to equities, the asset classes in which the Sub-fund may invest includes transferable securities, units in collective investment schemes, money-market instruments, cash and near cash and deposits to the extent permitted for UCITS schemes pursuant to the rules in COLL and in accordance with the Sub-fund's investment powers as set out in the Prospectus.</p> <p>As indicated above, the Sub-fund aims to achieve a total return over the longer term. Nevertheless capital is in fact at risk and there is no guarantee that a total return will be achieved over that specific, or any, time period.</p>
<b>Performance Benchmark</b>	<p>The performance benchmark is the Numis Smaller Companies Index (including AIM but excluding investment companies). The performance of the Sub-fund can be compared against that of the benchmark. This benchmark has been selected as it is considered that this index most closely reflects the investments which the Sub-fund will make (and its risk/return objectives). For the avoidance of doubt, the Investment Manager is not bound or influenced by the index when making its decisions and can make investments that are not included in the index.</p>
<b>Derivatives</b>	<p>The Sub-fund may hold derivatives for efficient portfolio management purposes. It is not intended that the use of derivatives for efficient portfolio management purposes will increase the risk profile of the Sub-fund.</p>

## SUB-FUND OVERVIEW (CONTINUED)

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<b>Authorised Corporate Director (ACD)</b>	Valu-Trac Investment Management Limited
<b>Ex-distribution dates</b>	30 June, 31 December
<b>Distribution dates</b>	31 August, 28 February
<b>Individual Savings Account (ISA)</b>	The Company is a qualifying investment for inclusion in an ISA.
<b>Minimum investment</b>	
Lump sum subscription:	Net Accumulation/Income = £1,000 Gross Accumulation/Income = £1,000
Top-up:	Net Accumulation/Income = £500 Gross Accumulation/Income = £500
Holding:	Net Accumulation/Income = £500 Gross Accumulation/Income = £500
Redemption:	£500 (provided minimum holding is maintained)
Switching:	£500 (provided minimum holding is maintained)

The ACD may waive the minimum levels at its discretion.

Initial, redemption and switching charges Nil

### Annual management charges

The annual management charges are: £30,000 per annum plus  
Net Accumulation/Income = 0.75%  
Gross Accumulation/Income = 0.75%

The above percentages being percentages of the net asset value of the Fund attributable to the relevant class (plus VAT if applicable).

The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Price Index) on 1 July each year from 1 July 2018. In the event of negative inflation the fixed element of the fee shall remain unchanged.

### Investment Restrictions

The Sub-fund may not invest more than 10% of its value in other collective investment schemes and may not invest in other Sub-funds of the Company.

## INVESTMENT MANAGER'S REVIEW

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2021 started with a strong tailwind, buoyed by Covid-19 vaccine progress at the back end of 2020. The prospects for recovery in 2021 seemed good as investors looked forward to some sort of return to normality. Stocks and sectors, that for the most part of 2020 had been shunned as "Covid-losers", witnessed a sharp return to favour and conversely some of the "Covid-beneficiaries" began to lag. By extension, the 'value' style performed strongly as the prospects improved. The first half of 2021 was specifically about 'recovery', a component of the 'value' style.

Economic recovery was accompanied by a return of dividends and increased M&A activity. Rising bond yields also pointed to recovery and policymakers had to balance stunting the recovery by withdrawing stimulus too early versus the risk of stimulating inflation. The prospect of economic stimulus withdrawal was always on the horizon.

Investors increasingly gained confidence in the trajectory of the economic recovery as vaccination rates rose and infection rates did not. The UK Budget in March focused on maintaining the recovery paid for by record borrowing. The easing of lockdown restrictions released pent up demand and held the promise of a route back to normality. Of course, the first half of the year coincided with a period where comparatives were particularly favourable (the first half of 2020 saw most economies in hibernation). This effect began to fade as we moved into the second half of the year.

The first half of 2021 was characterised by 'recovery'. The Fund returned +24.9% \*, compared to the Numis Smaller Companies Index (excluding Investment Companies, including AIM) total return of +16.4%. The resurgence of the 'value' style was undoubtedly linked to the prospects of recovery and provided a tailwind over the first half.

The second half of 2021 saw more equity issuance which absorbed some cash, which will partly account for the consolidation in the level of Market. The Fund returned +3.3% \* in the second half, compared to the same benchmark Numis index total return of +3.1%. Recovery began to be questioned as inflation started to appear, and Markets were forced to consider a likely policy response. The 'value' style turned to negative and into a headwind during the second half. The rapid recovery of the economy exposed some pinch points where there were clear signs of inflation and investors had to grapple with the conflicting dynamics of improving demand, set against supply constraints and rising covid infections brought about by first the Delta variant and then Omicron. Cost inflation became evident and supply chains were struggling to cope. The dramatic rise in the wholesale price of gas was a noteworthy event, and one which the Fund was able to benefit from (Serica Energy, Drax, Telecom Plus). In October Markets started to price-in an interest rate rise; this reversed in November when Omicron emerged; but was confirmed in December when the UK Monetary Policy Committee voted to raise base rates to 0.25% (from 0.1%), and the US Federal Reserve signalled a similar intent for 2022. Container prices accelerated yet further in the run-up to Christmas, creating havoc for retailers and their supply chains. Omicron infections rose rapidly at the year end, but it became clear that severity was more becalmed, possibly offering a path back to some degree of normality.

### Portfolio Contributors

The largest contributor to relative returns in 2021 was Future, driven by substantial upgrades throughout the year. It is a platform business which benefits materially from increased volume, both strong organic audience growth and also highly accretive M&A deals. In addition, it continues to navigate well through an ever-changing media landscape. Serica Energy also performed strongly. It is one of the UK's largest gas producers and its profits improved materially with the significant rise in natural gas prices. The largest detractor for the year was IG Design. It was heavily impacted by elevated freight rates during the critical run-up to Christmas, which was only partially offset by pricing increases. This served to materially reduce profit expectations for the current year. Studio Retail reported strong First Half Results, but also suffered supply chain challenges in Q3, which added cost and gross margin pressure that was only partially offset by pricing adjustments.

\*VT Teviot UK Smaller Companies Fund, Net Accumulation

## INVESTMENT MANAGER'S REVIEW (CONTIUNED)

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### Corporate Activity

The IPO market was active in the second half, having been severely curtailed since the pandemic first impacted. IPOs in the benchmark Numis Index during 2021 totalled 93 compared to 41 in 2020. This reflected a recovery in Markets, and undoubtedly served to absorb cash and consolidate the level of Market in the second half of the year. Secondary raisings also served to strengthen balance sheets to take advantage of the recovery and the opportunity to buy companies while profits were depressed. Index companies acquired during the year were flat at 39 (38 in 2020), although the Fund benefited from several: Scapa, Augean, Sigma Capital, U and I Group, and Vivo Energy. It also benefited from initial approaches for Spire Healthcare and Playtech, although formal takeovers were not concluded.

The Fund celebrated its fourth anniversary in 2021, and it was pleasing to report a doubling in the value of the accumulation units. The investment manager, Teviot Partners, celebrated its fifth anniversary and after 5 years of stellar service Andy Bamford decided to leave the business in January 2022 as part of an orderly succession, whereupon Dan Vaughan succeeded him as partner. The Fund, and all at Teviot Partners, would like to thank Andy for all his hard work and experience in getting Teviot Partners to the strong place it sits at today.

The Fund's full year distribution to December 2021 is 2.2142p per share (Net Income). At the time of writing, this includes a provisional element for the period from June to December.

For 2022 investors will have to balance several factors. The impact of Covid on consumption and on travel will be key, and whether Omicron does indeed serve as the catalyst for a return to pre-pandemic lifestyles. Consumption could be strong (as high savings rates unwind), the job market is booming, corporate investment is likely to pick up and the outlook for government spending is positive. The central bank response could serve to curb growth and consumer demand, albeit it is not the intention of central bankers to choke off demand too severely. Consensus real UK GDP growth for 2022 is forecast to be well above trend still – this tends to favour small cap companies, which generally benefit more from rising domestic demand. UK equities appear cheap relative to global equities. However, supply chain bottlenecks, labour shortages and higher inflation have led to debates regarding the degree of growth we can expect. We might reasonably expect small caps to return to favour once supply chain issues are resolved and energy inflation starts to decline.

There has been some recent rotation in global equity markets away from high-growth-orientated companies due to increased concerns about higher interest rates. Rising interest rates imply higher discount rates for future cash flows. Consequently, elevated asset valuations whose present values depend on long duration returns have been pressured. Many commentators now expect 'value' stocks to outperform 'growth' in 2022. If so, the Fund should be favourably exposed.

In an ever-changing world, the Fund's liquidity continues to benefit, enabling us to execute on our intentions where many others cannot. The portfolio can reflect the world we see today, whereas many other portfolios reflect the world as was.

Teviot Partners LLP  
Investment Manager to the Fund  
11 February 2022

\*VT Teviot UK Smaller Companies Fund, Net Accumulation

## PERFORMANCE RECORD

### Financial Highlights

<b>Net Accumulation</b>	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
Changes in net assets per unit	GBP	GBP	GBP
Opening net asset value per unit	<u>154.4885</u>	<u>146.0709</u>	<u>109.3610</u>
Return before operating charges	46.4207	9.7118	37.8083
Operating charges (note 1)	<u>(1.4688)</u>	<u>(1.2942)</u>	<u>(1.0984)</u>
Return after operating charges *	<u>44.9519</u>	<u>8.4176</u>	<u>36.7099</u>
Closing net asset value per unit	<u>199.4404</u>	<u>154.4885</u>	<u>146.0709</u>
Retained distributions on accumulated units	2.3514	0.7946	3.1025
 *after direct transactions costs of:	 0.5840	 0.5711	 0.6641
 Performance			
Return after charges	29.10%	5.76%	33.57%
 Other information			
Closing net asset value	£42,981,132	£35,744,689	£20,755,510
Closing number of units	21,550,869	23,137,446	14,209,242
Operating charges (note 2)	0.83%	0.86%	0.86%
Direct transaction costs	0.33%	0.38%	0.52%
 Prices			
Highest unit price	206.1110	154.8245	146.0700
Lowest unit price	154.2892	83.9276	109.3600

<b>Net Income</b>	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
Changes in net assets per unit	GBP	GBP	GBP
Opening net asset value per unit	<u>145.9027</u>	<u>138.8073</u>	<u>106.4033</u>
Return before operating charges	43.5662	9.0727	36.4582
Operating charges (note 1)	<u>(1.3769)</u>	<u>(1.2260)</u>	<u>(1.0544)</u>
Return after operating charges *	<u>42.1893</u>	<u>7.8467</u>	<u>35.4038</u>
Distribution on income units	<u>(2.2142)</u>	<u>(0.7513)</u>	<u>(2.9998)</u>
Closing net asset value per unit	<u>185.8778</u>	<u>145.9027</u>	<u>138.8073</u>
 *after direct transactions costs of:	 0.5474	 0.5409	 0.6375
 Performance			
Return after charges	28.92%	5.65%	33.27%
 Other information			
Closing net asset value	£44,932,481	£56,173,071	£58,176,848
Closing number of units	24,173,130	38,500,371	41,911,940
Operating charges (note 2)	0.83%	0.86%	0.86%
Direct transaction costs	0.33%	0.38%	0.52%
 Prices			
Highest unit price	193.4210	146.5530	139.8900
Lowest unit price	145.7145	79.7562	106.4000

## PERFORMANCE RECORD (Continued)

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### Financial Highlights (Continued)

1. The operating charges per unit figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.
2. The operating charges percentage is based on the expenses incurred during the period annualised, as a proportion of the average net asset value of the sub-Sub-fund.

### Risk Profile

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

## PORTFOLIO SUMMARY

As at 31 December 2021

Investment	Holding	Market Value £	Total Net Asset %	Index <sup>1</sup> %
<b>Total Equities (31.12.2020 : 96.92%)</b>		<b>86,424,792</b>	<b>99.02%</b>	<b>100.00%</b>
<b>Oil &amp; Gas Producers (31.12.2020 : 3.79%)</b>		<b>6,411,146</b>	<b>7.39%</b>	<b>3.98%</b>
Cairn Energy	769,966	1,437,142	1.66%	
Energiean	151,612	1,298,178	1.50%	
Gulf Keystone Petroleum	585,819	1,050,959	1.21%	
Serica Energy	732,163	1,737,057	2.00%	
Vivo Energy	673,093	887,810	1.02%	
<b>Chemicals (31.12.2020 : 1.16%)</b>		<b>932,247</b>	<b>1.07%</b>	<b>0.89%</b>
Zotefoams	228,492	932,247	1.07%	
<b>Mining (31.12.2020 : 2.93%)</b>		<b>3,159,932</b>	<b>3.61%</b>	<b>4.02%</b>
Anglo Pacific Group	539,335	728,642	0.83%	
Atalaya Mining	344,313	1,416,848	1.62%	
Central Asia Metals	295,261	748,487	0.86%	
Gem Diamonds	549,493	265,955	0.30%	
<b>Construction &amp; Materials (31.12.2020 : 5.58%)</b>		<b>4,631,765</b>	<b>5.31%</b>	<b>5.12%</b>
Alumasc Group	272,118	643,559	0.74%	
Costain Group	1,171,552	622,094	0.71%	
Countryside Properties	139,215	628,973	0.72%	
Keller Group	143,389	1,411,665	1.62%	
Norcros	418,791	1,325,474	1.52%	
<b>Aerospace &amp; Defense (31.12.2020 : 0.82%)</b>		<b>703,080</b>	<b>0.81%</b>	<b>2.42%</b>
Avon Protection	62,000	703,080	0.81%	
<b>General Industrials (31.12.2020 : 1.18%)</b>		<b>1,056,362</b>	<b>1.21%</b>	<b>0.70%</b>
Macfarlane Group	797,254	1,056,362	1.21%	
<b>Electronic &amp; Electrical Equipment (31.12.2020 : 1.21%)</b>		<b>738,445</b>	<b>0.85%</b>	<b>3.22%</b>
TT Electronics	292,164	738,445	0.85%	
<b>Industrial Engineering (31.12.2020 : 3.46%)</b>		<b>4,103,348</b>	<b>4.70%</b>	<b>2.24%</b>
James Fisher and Sons	126,500	472,794	0.54%	
Pressure Technologies	425,000	286,875	0.33%	
Severfield	1,422,771	974,598	1.12%	
Trifast	1,098,714	1,771,676	2.03%	
Vitec Group	40,709	597,405	0.68%	
<b>Industrial Transportation (31.12.2020 : 1.55%)</b>		<b>1,008,321</b>	<b>1.16%</b>	<b>1.25%</b>
Braemar Shipping Services	123,780	336,063	0.39%	
Ocean Wilsons Holdings	72,092	672,258	0.77%	
<b>Support Services (31.12.2020 : 16.43%)</b>		<b>13,616,230</b>	<b>15.58%</b>	<b>10.96%</b>
De La Rue	1,414,620	2,228,027	2.55%	
Driver Group	743,050	367,810	0.42%	
Hargreaves Services	208,361	856,364	0.98%	
Mears Group	789,349	1,485,949	1.70%	
Renewi	259,391	1,946,729	2.23%	
Ricardo	259,745	1,187,035	1.36%	
RPS Group	896,858	1,104,032	1.26%	
Science Group	159,627	718,322	0.82%	
SThree	257,317	1,198,454	1.37%	
Sureserve Group	849,207	806,747	0.92%	
Staffline Group	2,746,817	1,716,761	1.97%	

**PORTFOLIO SUMMARY (continued)**

As at 31 December 2021

<b>Investment</b>	<b>Holding</b>	<b>Market Value £</b>	<b>Total Net Asset %</b>	<b>Index<sup>1</sup> %</b>
<b>Food Producers (31.12.2020 : 1.78%)</b>		<b>2,274,331</b>	<b>2.60%</b>	<b>2.47%</b>
Devro	336,373	684,519	0.78%	
M P Evans Group	18,955	157,706	0.18%	
McColls Retail Group	3,173,000	367,275	0.42%	
Premier Foods	955,863	1,064,831	1.22%	
<b>Household Goods &amp; Home Construction (31.12.2020 : 5.80%)</b>		<b>4,496,343</b>	<b>5.15%</b>	<b>2.01%</b>
Headlam Group	306,313	1,292,641	1.48%	
IG Design Group	340,457	871,570	1.00%	
Inspects Group	146,858	543,375	0.62%	
UP Global Sourcing Holdings	227,189	453,810	0.52%	
Watkin Jones	232,540	613,906	0.70%	
Wickes Group	303,852	721,041	0.83%	
<b>Leisure Goods (31.12.2020 : 0.34%)</b>		<b>-</b>	<b>0.00%</b>	<b>1.62%</b>
<b>Health Care Equipment &amp; Services (31.12.2020 : 2.22%)</b>		<b>-</b>	<b>0.00%</b>	<b>2.40%</b>
<b>Pharmaceuticals &amp; Biotechnology (31.12.2020 : 1.97%)</b>		<b>3,162,734</b>	<b>3.63%</b>	<b>4.70%</b>
Allergy Therapeutics	2,008,106	652,634	0.75%	
ECO Animal Health Group	402,450	643,920	0.74%	
Indivior	727,272	1,866,180	2.14%	
<b>General Retailers (31.12.2020 : 7.84%)</b>		<b>5,941,103</b>	<b>6.81%</b>	<b>3.96%</b>
Card Factory	726,409	431,487	0.49%	
Dignity	66,850	398,092	0.46%	
Joules Group	260,711	376,727	0.43%	
Kitwave Group	582,514	835,908	0.96%	
Studio Retail Group	612,400	1,005,867	1.15%	
Lookers	1,674,978	1,082,036	1.24%	
Mothercare	4,675,182	903,479	1.04%	
Xaar	501,662	907,507	1.04%	
<b>Media (31.12.2020 : 4.74%)</b>		<b>4,196,149</b>	<b>4.80%</b>	<b>3.31%</b>
Ebiquity	650,103	325,052	0.37%	
Future	39,461	1,512,146	1.73%	
STV Group	296,798	1,016,533	1.16%	
ULS Technology	322,118	260,271	0.30%	
Wilmington	503,324	1,082,147	1.24%	
<b>Travel &amp; Leisure (31.12.2020 : 6.77%)</b>		<b>5,032,320</b>	<b>5.75%</b>	<b>6.76%</b>
Go-Ahead Group	136,400	905,014	1.04%	
GYM Group	85,464	221,779	0.25%	
Jet2	94,790	1,042,216	1.19%	
Marstons	1,053,814	805,641	0.92%	
Playtech	165,000	1,216,875	1.39%	
Saga	139,455	392,147	0.45%	
XP Factory	1,470,976	448,648	0.51%	
<b>Electricity (31.12.2020 : 2.91%)</b>		<b>3,003,127</b>	<b>3.44%</b>	<b>1.84%</b>
Drax Group	490,707	3,003,127	3.44%	



**PORTFOLIO SUMMARY (Continued)**

As at 31 December 2021

Investment	Holding	Market Value £	Total Net Asset %	Index <sup>1</sup> %
<b>Software &amp; Computer Services (31.12.2020 : 5.43%)</b>		<b>4,761,864</b>	<b>5.45%</b>	<b>7.22%</b>
Aptitude Software Group	177,660	1,035,758	1.19%	
EMIS Group	88,624	1,199,969	1.37%	
IQGeo Group	531,090	685,106	0.78%	
RM	272,702	541,995	0.62%	
Tracsis	21,171	208,534	0.24%	
Tribal Group	1,077,039	1,090,502	1.25%	
<b>Technology Hardware &amp; Equipment (31.12.2020 : 2.56%)</b>		<b>2,108,471</b>	<b>2.42%</b>	<b>1.10%</b>
Aferian	252,392	401,303	0.46%	
Fonix Mobile	770,378	1,282,679	1.47%	
Vianet Group	517,669	424,489	0.49%	
<b>Nonlife Insurance (31.12.2020 : 3.42%)</b>		<b>1,676,198</b>	<b>1.92%</b>	<b>0.68%</b>
Randall & Quilter Investment Holdings	387,797	672,828	0.77%	
Sabre Insurance Group	555,576	1,003,370	1.15%	
<b>Real Estate Investment &amp; Services (31.12.2020 : 2.98%)</b>		<b>2,416,794</b>	<b>2.77%</b>	<b>3.76%</b>
Belvoir Lettings	322,776	845,673	0.97%	
Countrywide	205,000	444,338	0.51%	
LSL Property Services	272,499	1,126,783	1.29%	
<b>Financial Services (31.12.2020 : 8.81%)</b>		<b>5,697,784</b>	<b>6.52%</b>	<b>10.88%</b>
Distribution Finance Capital Holdings	1,037,752	508,498	0.58%	
Morses Club	1,334,867	776,893	0.89%	
OSB Group	265,700	1,473,307	1.69%	
Peel Hunt Limited	326,725	656,717	0.75%	
TP ICAP	750,022	1,152,933	1.32%	
Rathbone Brothers	56,870	1,129,436	1.29%	
<b>Beverages (31.12.2020 : 0.00%)</b>		<b>1,381,837</b>	<b>1.58%</b>	<b>0.78%</b>
C&C Group	593,318	1,381,837	1.58%	
<b>Forestry and Paper (31.12.2020 : 0.00%)</b>		<b>251,558</b>	<b>0.29%</b>	<b>0.08%</b>
James Cropper	19,203	251,558	0.29%	
<b>Banks (31.12.2020 : 0.00%)</b>		<b>1,090,600</b>	<b>1.25%</b>	<b>2.20%</b>
Secure Trust Bank	82,000	1,090,600	1.25%	
<b>Automobiles &amp; Parts (31.12.2020 : 0.00%)</b>		<b>1,262,225</b>	<b>1.45%</b>	<b>0.56%</b>
CT Automotive Group	286,735	458,775	0.53%	
TI Fluid Systems	316,631	803,450	0.92%	
<b>Fixed Line Telecommunications (31.12.2020 : 0.00%)</b>		<b>1,310,478</b>	<b>1.50%</b>	<b>0.62%</b>
Telecom Plus	82,420	1,310,478	1.50%	
<b>Total Equities (31.12.2020 : 96.92%)</b>		<b>86,424,792</b>	<b>99.02%</b>	
<b>Mid to bid adjustment (31.12.2020 : (1.23%))</b>		<b>(683,992)</b>	<b>(0.78%)</b>	
<b>Other net assets (31.12.2020 : 4.31%)</b>		<b>1,547,379</b>	<b>1.76%</b>	
<b>Total Net Assets</b>		<b>87,288,179</b>	<b>100.00%</b>	

1. Numis Smaller Companies Index (including AIM but excluding investment companies)

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

<b>Purchases (Note 14)</b>	<b>£</b>	<b>Sales (Note 14)</b>	<b>£</b>
Go-Ahead Group	1,889,856	Spire Healthcare Group	2,643,459
Vivo Energy	1,705,855	Augean	2,152,068
Staffline Group	1,675,000	Sigma Capital Group	2,037,477
C&C Group	1,588,691	International Personal Finance	1,884,386
Energiean	1,554,409	Randall & Quilter Investment Holdings	1,857,079
SThree	1,469,322	Countrywide	1,681,444
TI Fluid Systems	1,356,743	Drax Group	1,541,783
Norcros	1,333,538	Inspects Group	1,527,729
Kitwave Group	1,234,287	De La Rue	1,502,441
Cairn Energy	1,224,224	Vivo Energy	1,429,533
Marstons	1,195,138	Kin and Carta	1,427,469
Indivior	1,183,917	Tyman	1,412,133
Workspace Group	1,179,249	Future	1,400,546
Zotefoams	1,122,956	Workspace Group	1,387,104
Rathbone Brothers	1,068,499	Rank Group	1,379,729
Watkin Jones	1,002,328	Belvoir Group	1,360,655
Secure Trust Bank	978,731	FirstGroup	1,259,147
Joules Group	961,609	James Fisher and Sons	1,253,183
Telecom Plus	958,174	GYM Group	1,212,452
IG Design Group	925,936	Serica Energy	1,150,821
Other Purchases	27,326,051	Other Sales	48,304,422
<b>Total Purchases for the Year</b>	<b>52,934,513</b>	<b>Total Sales for the Year</b>	<b>79,805,060</b>

The above transactions represent the largest sales and purchases during the year.

## STATEMENT OF TOTAL RETURN

For the year ended 31 December 2021		2021		2020	
	Notes	£	£	£	£
Income					
Net capital gains	2		25,914,763		3,809,948
Revenue	3	2,066,617		947,564	
Expenses	4	(893,841)		(631,667)	
Finance costs: Interest	6	<u>(16,986)</u>		<u>(1,609)</u>	
Net revenue before taxation		1,155,790		314,288	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>1,155,790</u>		<u>314,288</u>
Total return before distributions			27,070,553		4,124,236
Finance costs: distributions	6		<u>(1,379,250)</u>		<u>(472,205)</u>
<b>Changes in net assets attributable to shareholders from investment activities</b>			<u>25,691,303</u>		<u>3,652,031</u>

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 December 2021	2021 £	2020 £
<b>Opening net assets attributable to shareholders</b>	90,805,267	78,122,331
Amounts receivable on creation of shares	88,658,803	27,284,131
Amounts payable on cancellation of shares	(119,553,655)	(18,982,445)
Dividend reinvested	560,634	160,058
Dilution levy	1,125,827	569,161
Changes in net assets attributable to shareholders from investment activities (see above)	25,691,303	3,652,031
<b>Closing net assets attributable to shareholders</b>	<u>87,288,179</u>	<u>90,805,267</u>

## BALANCE SHEET

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As at 31 December 2021		31.12.2021		31.12.2020	
	Notes	£	£	£	£
<b>ASSETS</b>					
Investment assets			85,740,800		86,891,557
<b>Current Assets</b>					
Debtors	7	201,537		371,794	
Cash and bank balances	8	<u>1,861,232</u>		<u>4,257,573</u>	
<b>Total current assets</b>			<u>2,062,769</u>		<u>4,629,367</u>
<b>Total assets</b>			<u>87,803,569</u>		<u>91,520,924</u>
 <b>CURRENT LIABILITIES</b>					
<b>Creditors</b>					
Distribution payable on income shares		(255,599)		(127,906)	
Other creditors	9	<u>(259,791)</u>		<u>(587,751)</u>	
<b>Total current liabilities</b>			<u>(515,390)</u>		<u>(715,657)</u>
<b>Net assets attributable to shareholders</b>			<u>87,288,179</u>		<u>90,805,267</u>

**For the year ended 31 December 2021**

**1 Accounting policies**

(a) The financial statements have been prepared in accordance with FRS 102, the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and the amendments to the SORP issued by the IA in June 2017. The functional currency is Sterling.

(b) Dividends on equities and collectives are recognised when the security is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis.

(c) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Sub-fund, and where applicable is included in the distribution. In the case of enhanced stock dividend the value of the enhancement is treated as capital.

(d) Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

(e) All expenses are accounted for on an accruals basis and, other than those relating to the buying and selling of investments which are charged to capital, for the remaining expenses 75% are charged to the revenue of the Sub-fund.

(f) Where the revenue from investments exceeds the expenses of the Sub-fund, semi-annual distributions are paid to all holders of income shares. In all cases, tax vouchers will be issued to shareholders.

(g) The listed investments of the Sub-fund have been valued at bid market prices at the closing valuation point at 12 noon on 31 December 2021.

(h) All transactions in foreign currencies are converted into Sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting year are translated at the exchange rates at the closing valuation point on 31 December 2021.

(i) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.

(j) In certain circumstances the ACD may charge a dilution levy on the sale or repurchase of shares. The levy, which is paid into the Sub-fund, is intended to cover certain charges not included in the bid market value of the Sub-fund, used in calculating the share price, which could have a diluting effect on the performance of the Sub-fund.

(k) Equalisation will be applied to the Sub-fund. An allocation of income to be made in respect of each share issued or sold by the ACD during an accounting period in respect of which that income allocation is made may include a capital sum ("income equalisation") representing the ACD's best estimate of the amount of income included in the price of that share.

The amount of income equalisation in respect of any share may be the actual amount of income included in the issue price of the share in question or it may be an amount arrived at by taking the aggregate of the ACD's best estimate of the amounts of income included in the price of shares in that class issued or sold in the annual or interim period in question and dividing that aggregate by the number of those shares and applying the resultant average to each of the shares in question.

NOTES TO THE FINANCIAL STATEMENTS (continued)

<b>2 Net capital gains</b>	<b>2021</b>	<b>2020</b>
	£	£
The net capital gains comprise:		
Non-derivative securities gains	25,923,102	3,817,497
Transaction charges	(8,339)	(7,549)
Total net capital gains	<u>25,914,763</u>	<u>3,809,948</u>

<b>3 Revenue</b>	<b>2021</b>	<b>2020</b>
	£	£
Non taxable dividends	2,046,929	946,269
Property income distributions (PID)	19,614	-
Bank interest	74	1,295
Total revenue	<u>2,066,617</u>	<u>947,564</u>

<b>4 Expenses</b>	<b>2021</b>	<b>2020</b>
	£	£
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD fee	834,119	582,300
<b>Payable to the depositary, associates of the depositary, and agents of either of them:</b>		
Depositary fee	37,889	33,390
Safe custody fee	4,288	2,879
	<u>42,177</u>	<u>36,269</u>
<b>Other expenses:</b>		
Audit fee	8,304	8,311
FCA fee	54	71
Other expenses	9,187	4,716
	<u>17,545</u>	<u>13,098</u>
Total expenses	<u>893,841</u>	<u>631,667</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Taxation	2021 £	2020 £
<b>(a) Analysis of charge in the year</b>		
UK corporation tax	-	-
Total tax charge for the year (note 5b)	<u>-</u>	<u>-</u>
<b>(b) Factors affecting current tax charge for the year</b>		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2020:20.00%). The differences are explained below:		
Net revenue before taxation	1,155,790	314,288
Corporation tax at 20.00% (2020:20.00%)	<u>231,158</u>	<u>62,858</u>
<b>Effects of:</b>		
Revenue not subject to UK corporation tax	(409,386)	(189,254)
Current year expenses not utilised	<u>178,228</u>	<u>126,396</u>
Total tax charge for year (note 5a)	<u>-</u>	<u>-</u>

**(c) Provision for deferred taxation**

At 31 December 2021 there is a potential deferred tax asset of £485,639 (2020: £307,411) in relation to surplus management expenses. It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

6 Finance costs	2021 £	2020 £
Interim dividend distribution	753,868	274,967
Final dividend distribution	<u>498,380</u>	<u>209,136</u>
	1,252,248	484,103
Add: Revenue deducted on cancellation of shares	404,832	37,681
Deduct: Revenue received on issue of shares	<u>(277,830)</u>	<u>(49,579)</u>
	1,379,250	472,205
Interest payable and similar charges	<u>16,986</u>	<u>1,609</u>
<b>Total finance costs</b>	<u>1,396,236</u>	<u>473,814</u>
<b>Reconciliation of distributions</b>		
Net revenue after taxation	1,155,790	314,288
Expenses paid from capital	223,460	157,917
Relief on expenses allocated to capital	(540)	-
Balance carried forward	<u>540</u>	<u>-</u>
<b>Net distribution for the year</b>	<u>1,379,250</u>	<u>472,205</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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<b>7 Debtors</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>£</b>	<b>£</b>
Amounts receivable on trades	9,735	95,107
Amounts receivable for issue of shares	143,621	246,538
Accrued revenue:		
Non taxable dividends	44,210	30,101
Property income distributions (PID)	3,923	-
Prepaid expenses	48	48
<b>Total debtors</b>	<b>201,537</b>	<b>371,794</b>

<b>8 Cash and bank balances</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	1,861,232	4,257,573

<b>9 Creditors</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>£</b>	<b>£</b>
Amounts payable on trades	-	495,774
Amounts payable for redemption of shares	189,010	12,758
<b>Amounts payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	57,355	57,373
<b>Amounts payable to the depositary, associates of the depositary and agents of either of them;</b>		
Depositary's fees	2,633	3,031
Transaction charges	1,138	2,386
Safe custody and other bank charges	873	1,813
	4,644	7,230
Audit fee	8,255	8,206
Other accrued expenses	527	6,410
<b>Total creditors</b>	<b>259,791</b>	<b>587,751</b>

**10 Risk management**

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

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



**10 Risk management (continued)**

**Market price risk**

Market price risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Sub-fund holds. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements.

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

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

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.12.2021 would have increased/decreased by £8,574,080 (2020: £8,689,156).

**Foreign currency risk**

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

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

Net currency assets and liabilities consist of:

	Net monetary assets and liabilities		Non-monetary assets		Total net assets	
	£		£		£	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Sterling	1,547,379	3,913,710	85,740,800	86,891,557	87,288,179	90,805,267
Total	1,547,379	3,913,710	85,740,800	86,891,557	87,288,179	90,805,267

**Interest rate risk**

Interest rate risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The Sub-fund's interest rate risk is limited to bank balances of £1,861,232 (2020: £4,257,573).

**Maturity of financial liabilities**

The financial liabilities of the Sub-fund as at 31 December 2021 are payable either within one year or on demand.

**Liquidity risk**

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

**Credit risk**

Certain transactions in securities that the Sub-fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Sub-fund has fulfilled its responsibilities. The Sub-fund only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

**10 Risk management (continued)**

**Fair value disclosure**

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The

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

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

Level 3: Valuation techniques using unobservable inputs.

Valuation Technique	Assets (£000's)	Liabilities (£000's)
Level 1: Unadjusted quoted price in an active market for an identical instrument	85,741	-
Total	85,741	-

**11 Shares held**

**Net Accumulation**

<b>Opening Shares at 01.01.2021</b>	<b>23,137,446</b>
Shares issued during the year	12,630,182
Shares cancelled during the year	(14,216,759)
<b>Closing Shares as at 31.12.2021</b>	<b>21,550,869</b>

**Net Income**

<b>Opening Shares at 01.01.2021</b>	<b>38,500,371</b>
Shares issued during the year	38,729,733
Shares cancelled during the year	(53,056,974)
<b>Closing Shares as at 31.12.2021</b>	<b>24,173,130</b>

**12 Contingent assets and liabilities**

At 31 December 2021, the Company had no contingent liabilities or commitments (31 December 2020: £nil).

**13 Post balance sheet events**

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 31 December 2021. Since that date, the Sub-fund's quoted price has moved as follows:

Share class	Price (GBp) at 31 December 2021	Price (GBp) at 25 February 2022
Net Accumulation	199.4404	181.1667
Net Income	185.8778	168.8468

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Direct transaction costs

	2021		2020	
	£	%	£	%
<b>Analysis of total purchase costs</b>				
Purchases in the year before transaction costs	52,692,531		57,023,648	
Commissions	67,017	0.13%	75,020	0.13%
Taxes & Levies	174,965	0.33%	182,381	0.32%
Total purchase costs	<u>241,982</u>	<u>0.46%</u>	<u>257,401</u>	<u>0.45%</u>
Total purchases including transaction costs	<u>52,934,513</u>		<u>57,281,049</u>	
<b>Analysis of total sale costs</b>				
Sales in the year before transaction costs	79,923,130		48,946,536	
Commissions	(117,048)	(0.15%)	(73,355)	(0.15%)
Taxes & Levies	(1,022)	(0.00%)	(404)	(0.00%)
Total sale costs	<u>(118,070)</u>	<u>(0.15%)</u>	<u>(73,759)</u>	<u>(0.15%)</u>
Total sales net of transaction costs	<u>79,805,060</u>		<u>48,872,777</u>	

The following represents the total of each type of transaction cost, expressed as a percentage of the Sub-fund's average net asset value in the year:

	2021	% of average	2020	% of average
	£	net asset value	£	net asset value
Commissions	184,065	0.17%	148,375	0.17%
Taxes & Levies	175,987	0.16%	182,785	0.21%
	<u>360,052</u>	<u>0.33%</u>	<u>331,160</u>	<u>0.38%</u>

15 Portfolio Dealing Spread

The average portfolio dealing spread at 30 December 2021 is 1.56% (2020 2.46%).

## DISTRIBUTION TABLES

### For the year ended 31 December 2021

#### Interim distribution in pence per share

Group 1: Shares purchased prior to 01 January 2021

Group 2 : Shares purchased on or after 01 January and on or before 30 June 2021

01 January 2021 to 30 June 2021

Net Income	Net revenue 31 August 2021	Equalisation	Distribution 31 August 2021	Distribution 28 August 2020
Group 1	1.1568p	-	1.1568p	0.4191p
Group 2	0.6300p	0.5268p	1.1568p	0.4191p

Net Accumulation	Net revenue 31 August 2021	Equalisation	Distribution 31 August 2021	Distribution 28 August 2020
Group 1	1.2249p	-	1.2249p	0.4435p
Group 2	0.4341p	0.7908p	1.2249p	0.4435p

#### Final Distribution in Pence per Share

Group 1 – Shares purchased prior to 01 July 2021

Group 2 – Shares purchased on or after 01 July 2021 and on or before 31 December 2021

01 July 2021 to 31 December 2021

Net Income	Net revenue 28 February 2022	Equalisation	Distribution 28 February 2022	Distribution 26 February 2021
Group 1	1.0574p	-	1.0574p	0.3322p
Group 2	0.0669p	0.9905p	1.0574p	0.3322p

Net Accumulation	Net revenue 28 February 2022	Equalisation	Distribution 28 February 2022	Distribution 26 February 2021
Group 1	1.1265p	-	1.1265p	0.3511p
Group 2	0.4718p	0.6547p	1.1265p	0.3511p

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. It is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

#### Information for corporate shareholders

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

- i) 99.05% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 0.95% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

## INFORMATION FOR INVESTORS

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### Authorised Status

VT Teviot Funds ICVC ("the Company") is an authorised open-ended investment company with variable capital ("ICVC") further to an authorisation order dated 31 July 2017. The Company is incorporated under registration number IC001094. It is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ("COLL") issued by and amended by the Financial Conduct Authority ("FCA").

### Head Office

The head office of the Company is at Level 13, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

### Base Currency

The base currency of the Company is Pounds Sterling.

### Share Capital

The minimum share capital of the company is £1,000.

### Structure of the Company

The Company is structured as an umbrella company. Provision exists for an unlimited number of Sub-funds.

### Classes of Shares

The Company can issue different classes of share in respect to any Sub-fund, subject to the approval of the FCA.

### Valuation Point

The scheme property of the Company and each Sub-fund will normally be valued at 12:00 mid day on each dealing day for the purpose of calculating the price at which shares in the Company may be issued, sold, repurchased or redeemed.

The ACD reserves the right to revalue the Company or any Sub-fund at any time if it considers it desirable to do so, The ACD shall inform the Depositary of any decision to carry out any such additional valuation.

### Buying and Selling of Shares

The ACD will accept orders for the purchase and sale of shares on normal business days between 8.30am and 5.30pm. Instructions to buy or sell shares may either be in writing to:

Valu-Trac Investment Management Limited  
Orton, Fochabers, Moray, IV32 7QE  
Or by email to:  
[teviot@valu-trac.com](mailto:teviot@valu-trac.com)

A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

### Taxation

The Company will pay no corporation tax on its profits for the year ended 31 December 2021 and capital gains within the Company will not be taxed.

### Individual shareholders

**Income tax:** Tax-free annual dividend allowance now standing at £2,000 (2021/22). UK resident shareholders are subject to new, higher rates of tax on dividend income in excess of the annual allowance. The actual rate depends on the individual's tax rate band.

### Corporate shareholders

Companies resident for tax purposes in the UK which hold shares should note that OEIC distributions are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which has been subject to income tax at a rate of 20% and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

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

## INFORMATION FOR INVESTORS (Continued)

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### Pricing Basis

There is single price for buying, selling and switching shares in a Sub-fund which represents the net asset value of the Sub-fund concerned. The share price is calculated on a forward pricing basis, that is at the next valuation point after the purchase or redemption is deemed to be accepted by the ACD. The latest price of the shares can be obtained by contacting the ACD.

### Other information

The Instrument of Incorporation, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected free of charge at the office of the ACD which is also the Head Office of the Company and copies may be obtained upon application.

### Remuneration

Information about the authorised fund manager (AFM) remuneration policies and disclosures is available from Valu-Trac Investment Management Limited on its website which can be found on the link below.

<https://www.valu-trac.com/VIML%20Remuneration%20Policy%20Statement.pdf>

The AFM does not employ any staff directly from the company, so there are no quantitative disclosures in this report.

**CORPORATE DIRECTORY**

<b>Authorised Corporate Director, Manager &amp; Registrar</b>	Valu-Trac Investment Management Limited Mains of Orton Fochabers Moray IV32 7QE  Telephone: 01343 880344 Fax: 01343 880267 Email: teviot@valu-trac.com  Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648
<b>Director</b>	Valu-Trac Investment Management Limited as ACD
<b>Investment Manager</b>	Teviot Partners LLP 46 Charlotte Square Edinburgh Scotland EH2 4HQ  Authorised and regulated by the Financial Conduct Authority
<b>Depositary</b>	NatWest Trustee and Depositary Services Limited House A Floor 0, 175 Glasgow Road Gogarburn Edinburgh EH12 1HQ  Authorised and regulated by the Financial Conduct Authority
<b>Auditor</b>	Johnston Carmichael LLP Commerce House South Street Elgin IV30 1JE

## Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Teviot UK Smaller Companies Fund on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31 December 2021

This assessment is to establish what VT Teviot UK Smaller Companies Fund (the fund) has delivered to you in return for the price you have had to pay.

Our assessment has been conducted against the seven factors outlined by the FCA and the fund has been rated via a 'traffic light' system, where green (G) indicates good value: amber (A) room for improvement, and red (R) poor value. The dashboard below shows an overall summary of the assessment.

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
VT Teviot UK Smaller Companies Fund	● G	● G	● G	● G	● G	● G	● G	● G

The AFM, the Authorised Corporate Director of the fund, is Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is Teviot Partners LLP.

The fund start date was 29 August 2017, the objective of the fund is to achieve a total return (of growth and income, after fees) greater than the Benchmark Index over the long term. The Benchmark Index is the Numis Smaller Companies Index (including AIM but excluding investment Companies). The fund will seek to achieve its investment objective by investing in a diversified portfolio of companies which shall primarily consist of small UK quoted companies. Small companies are those having a market capitalisation, at the time of purchase, equal to or lower than the largest company in the Numis Smaller Companies Index (including AIM but excluding investment companies).

The table below shows the net gains or losses for the fund since its inception on 29 August 2017, a period of just over 4 years.

	At and for the year ended			
	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018 <sup>1</sup>
<b>Net gains/(losses) before expenses</b>	£	£	£	£
Capital only	£25,923k	£3,817k	£16,710k	(£5,085k)
Total fund	£27,990k	£4,765k	£18,670k	(£3,877k)

<sup>1</sup> Period covered from 29 August 2017 to 31 December 2018

### Share Classes

	At and for the year ended			
	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018 <sup>1</sup>
<b>Value of fund (per the performance record)</b>				
Net Accumulation	£43.0m	£35.7m	£20.8m	£14.7m
Net Income	£44.9m	£56.2m	£58.2m	£35.1m
<b>Shares outstanding</b>				
Net Accumulation	21.6m	23.1m	14.2m	13.5m
Net Income	24.2m	38.5m	41.9m	33.0m
<b>NAV per share</b>				
Net Accumulation	199.44p	154.49p	146.07p	109.36p
Net Income	185.88p	145.90p	138.81p	106.40p
<b>Dividend per share</b>				
Net Accumulation	2.3514p	0.7946p	3.1025p	3.2178p



Net Income	2.2142p	0.7513p	2.9998p	3.1930p
<b>Operating charges</b>				
Net Accumulation	0.83%	0.86%	0.86%	0.96%
Net Income	0.83%	0.86%	0.86%	0.96%

<sup>1</sup> Period covered from 29 August 2017 to 31 December 2018

The ongoing charges ratio is based on the actual charges and the average NAV during the period.

Source of all data is Valu-Trac Administration Services.

In carrying out the assessment of value the following criteria were considered:

### 1. Quality of service

The AFM considers that a good level of service was provided to shareholders by all parties involved commensurate to the amount paid by the fund for those services. The AFM monitors the following operational services:

Depository – NatWest Trustee and Depository Services Limited

Custodian – RBC Investor Services Trust, UK branch (RBC)

The external audit is conducted by Johnston Carmichael LLP.

These services are essential in ensuring that the fund operated efficiently and in the case of the Depository and Custodian the service is supervised on an on-going daily basis by the AFM. As a shareholder this means that you can be certain that your requests such as investment and redemption of the fund's units will always be carried out exactly as set out in the documentation.

Valu-Trac does not delegate any of the core functions of the fund such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the shareholders can be certain that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. The AFM works closely with Teviot Partners LLP to coordinate mailings such as annual letters with dividend vouchers and financial reports to avoid excessive correspondence whilst providing all required reporting on a timely and clear basis. This also has ensured that the AFM has responded to any enquiries from shareholders fully and promptly.

The AFM has also assessed the costing of each of these services to comparable providers and has concluded that the fund is receiving good value for the services provided by each party (detailed analysis on how we have arrived at this conclusion can be provided on request).

### 2. Performance

The performance of the fund can be compared against that of a benchmark. The Numis Smaller Companies Index (including AIM but excluding investment Companies) has been selected as it is considered that this index most closely reflects the investments which the fund will make (and its risk/reward objectives).

The objective of the fund is to achieve a total return (of growth and income, after fees) greater than the Benchmark Index over the long term and the table below demonstrates that this has been achieved.

	<b>Total Returns</b>	
	<b>2021</b>	<b>Since fund inception 29/08/17</b>
Net Accumulation	29.1%	99.4%
Net Income (dividends added back)	28.9%	95.0%
<b>Benchmark</b>		
Numis Smaller Companies Index	20.0%	36.2%

The AFM has also assessed the risk taken to achieve the above performance and is satisfied no excessive risk was taken to achieve performance (detailed analysis on how we have arrived at this conclusion can be provided on request).

### 3. AFM costs - general

The costs incurred during the year ended 31 December 2021 were as follows:

	£	% of average fund value
Investment Manager Fee	802,820	0.75%
Authorised Corporate Director	31,299	0.03%
Depositary	37,889	0.03%
Safe custody fee	4,288	0.00%
Transaction charges (capital)	8,339	0.01%
Auditor	8,304	0.01%
FCA	54	0.00%
Other expenses	9,187	0.01%
<b>Total costs</b>	<b>902,180</b>	<b>0.84%</b>

The fund made a gain for the year (capital and revenue less expenses) before distribution of £27,070,553. There was no taxation.

It should be noted that the prospectus allows for a dilution levy to be charged of up to 2.5% on all transactions into or out of the fund. This charge is reviewed daily and applied to all deals to protect existing investors in the funds by covering the spread and dealing costs on both purchases and sales of holdings.

The total dilution levy paid by investors in the period under review was £1,125,827 with the average dilution levy being 0.54%, the average dilution levy on subscriptions was 0.55% and 0.53% for redemptions.

In its absolute discretion the ACD may waive or reduce the dilution levy.

The AFM has considered the costs charged to the fund by comparing the operating charges of the share classes to the average OCF of the largest 10 funds in the IA UK Smaller Companies sector, retail classes where available. This is shown below. Note that the operating charges excludes the Transaction charges (capital)

	<b>Operating charges (excluding transaction fees)</b>
VT Teviot UK Smaller Companies Fund	0.83%
IA UK Smaller Companies (average of 10 largest funds)	1.04%

Source - Morningstar

The AFM has concluded the costs and in particular the investment management fee is appropriate and justified for the fund with the Investment manager's fee considered appropriate for the detailed knowledge and research which the Investment Manager applies to the fund.

### 4. Economies of scale

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the shareholders. Examples of this are the sliding scale of the depositary fee in addition to reduction in depositary fees and in custody fees as a result of a review of custody providers. The fixed fee nature of the Authorised Corporate Director fee will also provide for cost efficiency savings as the assets of the

fund grow. As the AFM grows its total assets across all schemes, it uses this purchasing power to benefit all schemes.

### 5. Comparable market rates

The AFM has compared the charges of this fund with that of comparable funds. The AFM selected funds that are classified in the IA UK Smaller Companies along with similar style funds that the AFM administer. The AFM believes that the shareholders of the fund are achieving efficient market rates as a whole and are not excessive as discussed in section 3. As the AFM assets grow in total it continues to strive for extra efficiencies wherever this can be achieved for all of its schemes.

### 6. Comparable services

All shareholders of this fund are subject to the same service at the same cost. The services provided to this fund and the costs are also comparable amongst other similar funds operated by the ACD.

### 7. Classes of units

All shareholders of this fund are treated equally with fees being identical across the classes. There are two classes of shares, income and accumulation. The investment manager fee for both share classes is 0.75% pa.

## CONCLUSION

As mentioned in the introduction, we have rated the fund based on a ‘traffic light assessment system. This is shown in the table below, where green (G) indicates good value; amber (A) indicates room for improvement, and red (R) indicates poor value.

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
VT Teviot UK Smaller Companies Fund	● G	● G	● G	● G	● G	● G	● G	● G

In taking all of these criteria into consideration the ACD concludes that in assessing whether the payments out of the scheme property as set out in the prospectus are justified in the context of the overall value delivered to shareholders, the AFM concludes that the shareholders of VT Teviot UK Smaller Companies Fund are receiving good value.

25 February 2022