

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

Annual Report and Financial Statements
For the year ended 31 December 2022

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COMPANY OVERVIEW

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

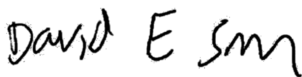
The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company at the end of the financial year and its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

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



David E. Smith CA

Valu-Trac Investment Management Limited
Authorised Corporate Director

Date 28 April 2023

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

For the year ended 31 December 2022

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 2023

Opinion

We have audited the financial statements of VT Teviot Funds ICVC ("the Company") for the year ended 31 December 2022 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 2022 and of the net revenue and the net capital losses on the scheme property of the Company for the year then ended; and
- > have been properly prepared in accordance with the IA Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation.

Basis for Opinion

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

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Authorised 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 control 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 misstatement 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 28 April 2023

SUB-FUND OVERVIEW

| | |
|--------------------------------------|--|
| Name of Sub-fund | VT Teviot UK Smaller Companies Fund |
| Size of Sub-fund | £75,130,093 |
| Launch date | 29 August 2017 |
| Sub-fund objective and policy | <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 stockmarket 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> |
| Performance Benchmark | <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> |
| Derivatives | <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)

| | |
|--|--|
| Authorised Corporate Director (ACD) | Valu-Trac Investment Management Limited |
| Ex-distribution dates | 30 June, 31 December |
| Distribution dates | 31 August, 28 February |
| Individual Savings Account (ISA) | The Company is a qualifying investment for inclusion in an ISA. |
| Share Classes | Net Accumulation Net Income Gross Accumulation Gross Income |
| Type of Shares | Net Accumulation and Net Income shares will be available at the launch date. No distinction is being drawn between institutional and retail share classes. |
| Minimum investment | |
| 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

Introduction

The VT Teviot UK Smaller Companies Fund is now over five years old, having launched in August 2017. Our excellent returns since launch - in terms of absolute and relative investment performance - were recognised in July 2022 when we won Investment Week's "Fund Manager of the Year Award 2022" in the UK Smaller Companies category.

The bedrock of our success has been the respect for liquidity in an illiquid asset class. The capacity of the UK Smaller Companies strategy is limited, and we aim to sustain our ability to generate strong returns by not growing assets beyond the natural capacity of the strategy.

Performance

In a difficult and volatile year for stock markets (and indeed most asset classes), the Fund substantially outperformed its benchmark in 2022. The Fund was down by 13.3% (Net Accumulation), whereas the Fund's benchmark, the Numis Smaller Companies Index (excluding investment companies, including AIM) fell by 21.9%. The Fund's cumulative performance since launch is now 73.0% (Net Accumulation), compared to a benchmark total return of 7.5%.

The first nine months of 2022 were particularly weak (Fund down 20.2%, Index down 27.0%), but the fourth quarter offered more optimism for the future – the Fund rose by 8.7%, beating the Index's 6.9%.

Given the turbulent global events in the period, it is no surprise that stock markets were weak. The continuing impact of COVID-19 (in its Omicron variant), supply chain disruption, rising inflation and rising interest rates were causing uncertainty in the global economic outlook, even before Russia's invasion of Ukraine in late February. The ensuing elevation of energy price exacerbated the upward pressure on global inflation, forcing Central Banks to put through a more aggressive series of interest rate rises. Economic growth is slow, and global recession might not be avoided. In the UK, political and economic instability peaked in the Autumn with the swift arrival and departure of Liz Truss as Prime Minister. Subsequent events have calmed markets (with Gilt yields no longer so elevated, and Sterling less weak), and investors' risk appetites have improved – as shown in the fourth quarter rally.

The Fund's value-orientated investment style helped enable out-performance of the benchmark in the year. Amidst rising interest rates, "growth" companies struggle to justify their high multiples and need to adjust their strategies in order to generate cash. Our portfolio is oriented towards robust business franchises that are resilient, with strong balance sheets, defensive cashflows and growing dividends. Whilst energy prices have receded from their highs, companies with low energy intensity and pricing power served us well. In addition, our holdings in energy producers, power generation and defence stocks were beneficial. Sectorally, the Fund's underweight positions (relative to the benchmark) in the Technology and Health Care sectors served it well, although its underweight exposure to Financials was detrimental.

At a stock level, the Fund benefited from several takeovers at substantial share price premiums. These included bus and train operator Go-Ahead Group (the largest stock contributor to portfolio returns in the year) which started 2022 at a share price of 667p, before succumbing to a 1500p bid (+125%) in June. Also in June, healthcare software provider EMIS received a takeover bid at 1925p, having begun the year at 1360p (+42%). Environmental consultancy RPS Group was bid for in September at 222p (+79% from January) and then Devro (food producer) was bid for in November at 316.1p (from 206p at start of year, +53%).

Other key contributors to performance included energy stocks Gulf Keystone Petroleum, Serica Energy, and Energean, as well as renewable power generator Drax. All saw dramatic increases in their cashflows given the rise in energy prices. Pharmaceutical company Indivior rose strongly amidst growing US sales of its treatments for opioid addictions, whilst media stock Wilmington benefited from its on-line professional training offering, and a return to "classroom" training as Covid receded.

Set against these, the Fund's poor performers included Future, Trifast, De La Rue and Studio Retail. Future (a global platform for specialist media) suffered from the general malaise in technology and media stocks despite the business performing well throughout the period – and remains a core holding. Trifast (industrial fastenings) fell amidst slowing global demand and supply chain difficulties. We are confident in its recovery. De La Rue suffered profit warnings (cost pressures, Omicron disruption, contract disputes) – the position has been reduced. In February Studio Retail was put into administration when its main lender unexpectedly refused to extend credit to it after supply chain disruption.

Portfolio Activity

Given the strong performance of some of our larger holdings, there was some recycling of those profits into new holdings that have been hit hard by the global downturn, as well as the reinvestment of cash received from takeovers. For example, our positions in Drax, Serica, Energean and Indivior were reduced, whilst positions in RHI Magnesita (refractory products), Speedy Hire (equipment hire), Liontrust Asset Management, XPS Pensions (pensions consultancy) and Wynnstay (agricultural supplies) were begun. Defence & security stock Qinetiq was added in January, contributing positively to performance. In response to the weakening consumer environment, holdings were cut in Marston's (pubs), Saga (travel & insurance), and McColls (retailer).

INVESTMENT MANAGER'S REVIEW (CONTIUNED)

Income

The Fund's full year distribution to December 2022 is 4.3932p per share (Net Income). At the time of writing, this includes a provisional element for the period from June to December. This compares to 2.2142p in 2021. The increase reflects the normalisation of dividends payments by companies as their profits recovered from the pandemic. Given the investment style of the manager, dividends are an important component of long-term investment returns, and the portfolio will typically exhibit a yield premium relative to the investment benchmark.

Outlook

UK smaller companies performed worse than UK large caps in 2022 and in many cases are trading on depressed valuations. Unsurprisingly, most smaller companies have cautious expectations regarding any earnings growth. Whilst the first half of 2023 may not show signs of global economic expansion, evidence of receding inflationary pressures and an end to interest rate rises could herald the resurgence of small-cap outperformance. In addition, as seen in 2022, takeovers of undervalued stocks will continue. The rally in the fourth quarter shows that an improvement in risk appetite from investors can lead to sizeable gains in an illiquid asset class. We believe that the Fund is well-positioned to benefit.

There were very few flotations in 2022, and meaningful "IPO" activity may not begin until late in 2023, but we would expect to see more secondary fund-raising by existing stocks in the first half of the year. These may be to repair over-stretched balance sheets or to fund acquisitions – potentially providing opportunities for the Fund to participate in. More generally, whilst the defensive positioning of the Fund helped it to outperform its benchmark in the period, we will be seeking to rotate capital to benefit from an emerging recovery.

Our conclusion remains consistent with previous reports. In an uncertain political and economic environment, the most effective strategy will be to preserve our liquidity advantage so that we can respond and capitalise as events unfold. We have a broad investment universe that continues to present good opportunities and we will constantly refine the portfolio to optimise the combination of value and prospects.

Teviot Partners LLP
Investment Manager to the Fund
26 January 2023

PERFORMANCE RECORD

Financial Highlights

| | Year ended 31 December 2022 | Year ended 31 December 2021 | Year ended 31 December 2020 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Net Accumulation | | | |
| Changes in net assets per share | Gbp | Gbp | Gbp |
| Opening net asset value per share | 199.4404 | 154.4885 | 146.0709 |
| Return before operating charges | (24.8269) | 46.4207 | 9.7118 |
| Operating charges (note 1) | (1.6015) | (1.4688) | (1.2942) |
| Return after operating charges * | (26.4284) | 44.9519 | 8.4176 |
| Closing net asset value per share | 173.0120 | 199.4404 | 154.4885 |
| Retained distributions on accumulated shares | 4.7380 | 2.3514 | 0.7946 |
| *after direct transactions costs of: | 0.3538 | 0.5840 | 0.5711 |
| Performance | | | |
| Return after charges | (13.25%) | 29.10% | 5.76% |
| Other information | | | |
| Closing net asset value | £42,511,489 | £42,981,132 | £35,744,689 |
| Closing number of shares | 24,571,405 | 21,550,869 | 23,137,446 |
| Operating charges (note 2) | 0.86% | 0.83% | 0.86% |
| Direct transaction costs | 0.19% | 0.33% | 0.38% |
| Prices | | | |
| Highest share price | 201.4447 | 206.1110 | 154.8245 |
| Lowest share price | 156.6567 | 154.2892 | 83.9276 |

| | Year ended 31 December 2022 | Year ended 31 December 2021 | Year ended 31 December 2020 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Net Income | | | |
| Changes in net assets per share | Gbp | Gbp | Gbp |
| Opening net asset value per share | 185.8778 | 145.9027 | 138.8073 |
| Return before operating charges | (23.1389) | 43.5662 | 9.0727 |
| Operating charges (note 1) | (1.4738) | (1.3769) | (1.2260) |
| Return after operating charges * | (24.6127) | 42.1893 | 7.8467 |
| Distribution on income shares | (4.3932) | (2.2142) | (0.7513) |
| Closing net asset value per share | 156.8719 | 185.8778 | 145.9027 |
| *after direct transactions costs of: | 0.3256 | 0.5474 | 0.5409 |
| Performance | | | |
| Return after charges | (13.24%) | 28.92% | 5.65% |
| Other information | | | |
| Closing net asset value | £33,336,568 | £44,932,481 | £56,173,071 |
| Closing number of shares | 21,250,823 | 24,173,130 | 38,500,371 |
| Operating charges (note 2) | 0.86% | 0.83% | 0.86% |
| Direct transaction costs | 0.19% | 0.33% | 0.38% |
| Prices | | | |
| Highest share price | 187.7459 | 193.4210 | 146.5530 |
| Lowest share price | 143.8668 | 145.7145 | 79.7562 |

PERFORMANCE RECORD (Continued)

Financial Highlights (Continued)

1. The operating charges per share figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.
2. The 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-fund.

Risk Profile

Based on past data, the Sub-fund is ranked a '6' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document (31 December 2021: ranked 6). 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 2022

| Investment | Holding | Market Value £ | Total Net Asset % | Index ¹ % |
|---|-----------|-------------------|----------------------|-------------------------|
| Total Equities (31.12.2021 : 99.02%) | | 72,429,011 | 96.39% | 100.00% |
| Oil & Gas Producers (31.12.2021 : 7.39%) | | 5,378,731 | 7.14% | 7.39% |
| Capricorn Energy | 443,000 | 1,151,800 | 1.53% | |
| Diversified Energy Company | 320,000 | 370,560 | 0.49% | |
| Energear | 128,100 | 1,661,457 | 2.21% | |
| Gulf Keystone Petroleum | 467,000 | 926,528 | 1.23% | |
| Serica Energy | 396,000 | 1,130,580 | 1.50% | |
| IOG | 835,189 | 137,806 | 0.18% | |
| Chemicals (31.12.2021 : 1.07%) | | 1,191,420 | 1.58% | 1.28% |
| Zotefoams | 196,192 | 657,243 | 0.87% | |
| Essentra | 224,444 | 534,177 | 0.71% | |
| Mining (31.12.2021 : 3.61%) | | 3,010,964 | 4.00% | 5.82% |
| Atalaya Mining | 365,713 | 1,188,567 | 1.58% | |
| Central Asia Metals | 331,000 | 812,605 | 1.08% | |
| Ecora Resources | 686,000 | 1,009,792 | 1.34% | |
| Construction & Materials (31.12.2021 : 5.31%) | | 4,059,092 | 5.41% | 5.47% |
| Alumasc Group | 351,000 | 526,500 | 0.70% | |
| Costain Group | 1,140,000 | 444,030 | 0.59% | |
| Keller Group | 162,600 | 1,300,800 | 1.73% | |
| Norcros | 602,200 | 1,056,861 | 1.41% | |
| Tyman | 225,000 | 508,500 | 0.68% | |
| Vistry Group | 35,499 | 222,401 | 0.30% | |
| Aerospace & Defense (31.12.2021 : 0.81%) | | 2,360,946 | 3.15% | 2.98% |
| Avon Protection | 68,018 | 717,590 | 0.96% | |
| Qinetiq Group | 326,000 | 1,163,168 | 1.55% | |
| Chemring Group | 162,500 | 480,188 | 0.64% | |
| General Industrials (31.12.2021 : 1.21%) | | 867,000 | 1.15% | 0.88% |
| Macfarlane Group | 850,000 | 867,000 | 1.15% | |
| Electronic & Electrical Equipment (31.12.2021 : 0.85%) | | 570,136 | 0.76% | 2.63% |
| TT Electronics | 332,635 | 570,136 | 0.76% | |
| Industrial Engineering (31.12.2021 : 4.70%) | | 2,733,669 | 3.64% | 1.64% |
| Pressure Technologies | 210,000 | 75,600 | 0.10% | |
| Severfield | 1,287,880 | 788,183 | 1.05% | |
| Trifast | 1,117,217 | 804,396 | 1.07% | |
| Videndum | 100,140 | 1,065,490 | 1.42% | |
| Industrial Transportation (31.12.2021 : 1.16%) | | 953,905 | 1.27% | 2.09% |
| Braemar Shipping Services | 64,016 | 185,646 | 0.25% | |
| Clarkson | 4,677 | 150,599 | 0.20% | |
| Ocean Wilsons Holdings | 69,400 | 617,660 | 0.82% | |
| Food Producers (31.12.2021 : 2.60%) | | 3,951,825 | 5.25% | 2.62% |
| Devro | 376,376 | 1,159,238 | 1.54% | |
| M P Evans Group | 95,000 | 760,000 | 1.01% | |
| Premier Foods | 1,088,600 | 1,182,220 | 1.57% | |
| Wynnstay Group | 144,130 | 850,367 | 1.13% | |

PORTFOLIO SUMMARY (continued)

As at 31 December 2022

| Investment | Holding | Market Value £ | Total Net Asset % | Index ¹ % |
|---|-----------|-------------------|----------------------|-------------------------|
| Support Services (31.12.2021 : 15.58%) | | 11,324,073 | 15.08% | 9.36% |
| De La Rue | 484,501 | 383,240 | 0.51% | |
| Hargreaves Services | 185,700 | 716,802 | 0.95% | |
| Mears Group | 851,000 | 1,736,040 | 2.31% | |
| Renewi | 260,000 | 1,536,600 | 2.05% | |
| Ricardo | 263,391 | 1,239,255 | 1.65% | |
| RPS Group | 569,000 | 1,251,800 | 1.67% | |
| Science Group | 157,540 | 598,652 | 0.80% | |
| Speedy Hire | 1,685,000 | 663,048 | 0.88% | |
| SThree | 373,234 | 1,492,936 | 1.99% | |
| Sureserve Group | 1,050,000 | 892,500 | 1.19% | |
| Staffline Group | 2,140,000 | 813,200 | 1.08% | |
| Household Goods & Home Construction (31.12.2021 : 5.15%) | | 2,752,635 | 3.66% | 1.34% |
| DFS Furniture | 263,421 | 407,776 | 0.54% | |
| Headlam Group | 344,640 | 1,009,795 | 1.34% | |
| Inspects Group | 757,084 | 317,975 | 0.42% | |
| UP Global Sourcing Holdings | 317,000 | 507,200 | 0.68% | |
| Wickes Group | 349,000 | 509,889 | 0.68% | |
| Pharmaceuticals & Biotechnology (31.12.2021 : 3.63%) | | 1,891,313 | 2.52% | 3.03% |
| Allergy Therapeutics | 2,031,875 | 81,275 | 0.11% | |
| ECO Animal Health Group | 547,500 | 536,550 | 0.71% | |
| Indivior | 68,800 | 1,273,488 | 1.70% | |
| General Retailers (31.12.2021 : 6.81%) | | 3,957,208 | 5.27% | 2.77% |
| Kitwave Group | 690,148 | 1,245,717 | 1.66% | |
| RHI Magnesita | 27,800 | 614,380 | 0.82% | |
| Studio Retail Group ² | 605,378 | - | 0.00% | |
| Lookers | 1,463,000 | 1,106,028 | 1.47% | |
| Mothercare | 4,595,027 | 321,652 | 0.43% | |
| Xaar | 348,662 | 669,431 | 0.89% | |
| Media (31.12.2021 : 4.80%) | | 3,788,900 | 5.04% | 2.67% |
| Ebiquity | 877,605 | 412,474 | 0.55% | |
| Future | 67,900 | 867,083 | 1.15% | |
| STV Group | 271,118 | 732,019 | 0.97% | |
| Smooove | 678,485 | 238,148 | 0.32% | |
| Wilmington | 506,308 | 1,539,176 | 2.05% | |
| Travel & Leisure (31.12.2021 : 5.75%) | | 1,880,638 | 2.51% | 4.92% |
| Jet2 | 106,500 | 1,018,566 | 1.36% | |
| Playtech | 113,200 | 575,622 | 0.77% | |
| XP Factory | 1,685,000 | 286,450 | 0.38% | |
| Electricity (31.12.2021 : 3.44%) | | 2,259,809 | 3.01% | 0.55% |
| Drax Group | 321,681 | 2,259,809 | 3.01% | |
| Software & Computer Services (31.12.2021 : 5.45%) | | 4,491,657 | 5.98% | 9.20% |
| Aptitude Software Group | 254,500 | 875,480 | 1.17% | |
| Eckoh | 915,784 | 366,314 | 0.49% | |
| EMIS Group | 63,624 | 1,189,769 | 1.58% | |
| IQGeo Group | 351,222 | 649,761 | 0.86% | |
| RM | 585,202 | 328,884 | 0.44% | |
| Tribal Group | 1,039,657 | 457,449 | 0.61% | |
| Tracsis | 65,000 | 624,000 | 0.83% | |

PORTFOLIO SUMMARY (Continued)

| As at 31 December 2022 | | Market | Total Net | Index ¹ |
|---|-----------|-------------------|----------------|--------------------|
| Investment | Holding | Value £ | Asset % | % |
| Technology Hardware & Equipment (31.12.2021 : 2.42%) | | 1,740,883 | 2.32% | 1.82% |
| Aferian | 299,000 | 299,000 | 0.40% | |
| Fonix Mobile | 524,720 | 1,128,148 | 1.50% | |
| Vianet Group | 482,669 | 313,735 | 0.42% | |
| Nonlife Insurance (31.12.2021 : 1.92%) | | 974,651 | 1.29% | 1.55% |
| Randall & Quilter Investment Holdings | 329,425 | 191,067 | 0.25% | |
| Sabre Insurance Group | 752,000 | 783,584 | 1.04% | |
| Real Estate Investment & Services (31.12.2021 : 2.77%) | | 2,275,523 | 3.02% | 2.39% |
| Belvoir Group | 342,216 | 657,055 | 0.87% | |
| CLS Holdings | 382,200 | 607,698 | 0.81% | |
| Harworth Group | 420,000 | 430,500 | 0.57% | |
| LSL Property Services | 233,040 | 580,270 | 0.77% | |
| Financial Services (31.12.2021 : 6.52%) | | 6,694,804 | 8.92% | 2.00% |
| Begbies Traynor Group | 462,000 | 657,888 | 0.88% | |
| Distribution Finance Capital Holdings | 1,400,000 | 448,000 | 0.60% | |
| Duke Royalty | 932,622 | 317,091 | 0.42% | |
| Liontrust Asset Management | 61,400 | 683,996 | 0.91% | |
| Mattioli Woods | 90,340 | 551,074 | 0.73% | |
| OSB Group | 170,000 | 821,440 | 1.09% | |
| Peel Hunt Limited | 326,725 | 274,449 | 0.37% | |
| Rathbones Group | 76,200 | 1,562,100 | 2.08% | |
| TP ICAP | 323,000 | 560,728 | 0.75% | |
| XPS Pensions Group | 586,407 | 818,038 | 1.09% | |
| Beverages (31.12.2021 : 1.58%) | | 826,956 | 1.10% | 0.96% |
| C&C Group | 468,000 | 826,956 | 1.10% | |
| Forestry and Paper (31.12.2021 : 0.29%) | | 50,356 | 0.07% | 0.16% |
| James Cropper | 5,788 | 50,356 | 0.07% | |
| Banks (31.12.2021 : 1.25%) | | 671,600 | 0.89% | 1.96% |
| Secure Trust Bank | 92,000 | 671,600 | 0.89% | |
| Automobiles & Parts (31.12.2021 : 1.45%) | | 866,767 | 1.15% | 0.71% |
| CT Automotive Group | 283,610 | 255,247 | 0.34% | |
| TI Fluid Systems | 455,000 | 611,520 | 0.81% | |
| Fixed Line Telecommunications (31.12.2021 : 1.50%) | | 903,550 | 1.21% | 1.55% |
| Telecom Plus | 41,258 | 903,550 | 1.21% | |
| Total Equities (31.12.2021 : 99.02%) | | 72,429,011 | 96.39% | |
| Other net assets (31.12.2021 : 1.76%) | | 2,701,082 | 3.61% | |
| Total Net Assets | | 75,130,093 | 100.00% | |

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

2. Studio Retail Group was suspended from dealing on 14 February 2022 and entered administration on 24 February 2022. The ACD has fair value priced the holding at 0p per share.

Note: The 31 December 2021 comparators percentages are based on Mid pricing and does not add up to 100%. The Mid to Bid adjustment for the year ended 31 December 2021 was (0.78%).

SUMMARY OF MATERIAL PORTFOLIO CHANGES

| Purchases (Note 14) | £ | Sales (Note 14) | £ |
|-------------------------------------|-------------------|---------------------------------|-------------------|
| Qinetiq Group | 1,019,352 | Go-Ahead Group | 2,012,999 |
| RHI Magnesita | 952,939 | Drax Group | 1,411,412 |
| Speedy Hire | 864,550 | Serica Energy | 1,098,239 |
| Wynnstay Group | 818,527 | Indivior | 1,035,531 |
| Liontrust Asset Management | 808,649 | Vivo Energy | 946,725 |
| XPS Pensions Group | 782,688 | Telecom Plus | 941,204 |
| Essentra | 722,124 | De La Rue | 828,490 |
| M P Evans Group | 717,467 | RPS Group | 753,402 |
| Harworth Group | 687,523 | Capricorn Energy | 698,773 |
| Begbies Traynor Group | 650,656 | Marstons | 644,623 |
| Mattioli Woods | 639,044 | TP ICAP | 583,045 |
| Tyman | 626,367 | OSB Group | 537,249 |
| Tracsis | 572,859 | James Fisher and Sons | 471,048 |
| DFS Furniture | 548,392 | EMIS Group | 429,039 |
| Future | 538,115 | Xaar | 422,148 |
| SThree | 501,104 | Gulf Keystone Petroleum | 419,792 |
| Chemring Group | 488,218 | Fonix Mobile | 417,636 |
| Norcros | 484,686 | Card Factory | 400,984 |
| Videndum | 466,029 | Dignity | 396,514 |
| Rathbones Group | 444,924 | Watkin Jones | 377,315 |
| Other Purchases | 9,681,524 | Other Sales | 7,972,981 |
| Total Purchases for the Year | 23,015,737 | Total Sales for the Year | 22,799,149 |

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

STATEMENT OF TOTAL RETURN

For the year ended 31 December

| | Notes | 2022 £ | 2021 £ |
|--|-------|----------------------------|--------------------------|
| Income | | | |
| Net capital (losses)/gains | 2 | (13,534,303) | 25,914,763 |
| Revenue | 3 | 2,464,443 | 2,066,617 |
| Expenses | 4 | (640,707) | (893,841) |
| Interest payable and similar charges | 6 | <u>(603)</u> | <u>(16,986)</u> |
| Net revenue before taxation | | 1,823,133 | 1,155,790 |
| Taxation | 5 | <u>-</u> | <u>-</u> |
| Net revenue after taxation | | <u>1,823,133</u> | <u>1,155,790</u> |
| Total return before distributions | | (11,711,170) | 27,070,553 |
| Finance costs: distributions | 6 | <u>(1,982,771)</u> | <u>(1,379,250)</u> |
| Changes in net assets attributable to shareholders from investment activities | | <u>(13,693,941)</u> | <u>25,691,303</u> |

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 December

| | 2022 £ | 2021 £ |
|---|--------------------------|--------------------------|
| Opening net assets attributable to shareholders | 87,288,179 | 90,805,267 |
| Amounts receivable on creation of shares | 17,997,076 | 88,658,803 |
| Amounts payable on cancellation of shares | (17,848,505) | (119,553,655) |
| Dividend reinvested | 1,033,212 | 560,634 |
| Dilution levies | 354,072 | 1,125,827 |
| Changes in net assets attributable to shareholders from investment activities (see above) | (13,693,941) | 25,691,303 |
| Closing net assets attributable to shareholders | <u>75,130,093</u> | <u>87,288,179</u> |

BALANCE SHEET

As at

| | | 31.12.2022 | | 31.12.2021 | |
|--|-------|------------------|-------------------|------------------|-------------------|
| | Notes | £ | £ | £ | £ |
| ASSETS | | | | | |
| Investment assets | | | 72,429,011 | | 85,740,800 |
| Current Assets | | | | | |
| Debtors | 7 | 121,424 | | 201,537 | |
| Cash and bank balances | 8 | <u>3,163,016</u> | | <u>1,861,232</u> | |
| Total current assets | | | <u>3,284,440</u> | | <u>2,062,769</u> |
| Total assets | | | <u>75,713,451</u> | | <u>87,803,569</u> |
| CURRENT LIABILITIES | | | | | |
| Creditors | | | | | |
| Distribution payable on income shares | | (428,195) | | (255,599) | |
| Other creditors | 9 | <u>(155,163)</u> | | <u>(259,791)</u> | |
| Total current liabilities | | | <u>(583,358)</u> | | <u>(515,390)</u> |
| Net assets attributable to shareholders | | | <u>75,130,093</u> | | <u>87,288,179</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

1 Accounting policies

- (a) The financial statements have been prepared in accordance with FRS 102, the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and the amendments to the SORP issued by the IA in June 2017. The functional currency is Sterling.
- (b) There are no material events that have been identified that may cast significant doubt about the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.
- (c) All expenses other than those relating to the purchase and sale of investments, are charged to revenue on an accruals basis. 25% of the expenses are then reallocated to capital, net of any tax effect, for distribution purposes.
- (d) Distributions on equities and collectives are recognised when the security is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis.
- (e) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Sub-fund, and where applicable is included in the distribution. In the case of enhanced stock dividend the value of the enhancement is treated as capital.
- (f) Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case. Where the receipt of a special dividend results in a significant reduction in the capital value or where the distribution arises from an underlying capital event such as a merger or disposal these would typically be deemed as capital so as to ensure that the matching principle is applied to gains and losses. Otherwise, the special dividend would typically be recognised as revenue. Where special dividends are treated as revenue, they are included in the amount available for distribution. The tax accounting treatment follows the principal amount.
- (g) Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is 12 noon on 30 December 2022 with reference to quoted bid prices from reliable external sources. The listed investments of the Sub-fund have been valued at bid market prices at the closing valuation point at 12 noon on 30 December 2022.
- (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 30 December 2022.
- (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) The Sub-fund currently issues Accumulation & Income shares. The Sub-fund goes ex dividend semi-annually and pays any income available to the shareholder two months in arrears, as a dividend distribution. Any revenue deficit at the year end is funded from capital.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

| 2 Net capital (losses)/gains | 2022 | 2021 |
|--|---------------------|-------------------|
| | £ | £ |
| The net capital (losses)/gains comprise: | | |
| Non-derivative securities (losses)/gains | (13,528,378) | 25,923,102 |
| Transaction charges | (5,892) | (8,339) |
| Currency exchange losses | (33) | - |
| Total net capital (losses)/gains | <u>(13,534,303)</u> | <u>25,914,763</u> |

| 3 Revenue | 2022 | 2021 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Non taxable dividends | 2,455,991 | 2,046,929 |
| Property income distributions (PID) | - | 19,614 |
| Bank interest | 8,452 | 74 |
| Total revenue | <u>2,464,443</u> | <u>2,066,617</u> |

| 4 Expenses | 2022 | 2021 |
|---|----------------|----------------|
| | £ | £ |
| Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them: | | |
| Annual management charge | 593,363 | 834,119 |
| Payable to the depositary, associates of the depositary, and agents of either of them: | | |
| Depositary fee | 26,068 | 37,889 |
| Safe custody fee | 2,963 | 4,288 |
| | <u>29,031</u> | <u>42,177</u> |
| Other expenses: | | |
| Audit fee | 9,121 | 8,304 |
| FCA fee | 48 | 54 |
| Other expenses | 9,144 | 9,187 |
| | <u>18,313</u> | <u>17,545</u> |
| Total expenses | <u>640,707</u> | <u>893,841</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 5 Taxation | 2022 £ | 2021 £ |
|--|-----------|-----------|
| (a) Analysis of charge in the year | | |
| UK corporation tax | - | - |
| Total tax charge for the year (note 5b) | - | - |
| (b) Factors affecting current tax charge for the year | | |
| The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2021:20.00%). The differences are explained below: | | |
| Net revenue before taxation | 1,823,133 | 1,155,790 |
| Corporation tax at 20.00% (2021:20.00%) | 364,627 | 231,158 |
| <u>Effects of:</u> | | |
| Revenue not subject to UK corporation tax | (491,199) | (409,386) |
| Current year expenses not utilised | 126,572 | 178,228 |
| Total tax charge for the year (note 5a) | - | - |

(c) Provision for deferred taxation

At 31 December 2022 there is a potential deferred tax asset of £612,211 (2021: £485,639) 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 | 2022 £ | 2021 £ |
|---|------------------|------------------|
| Interim dividend distribution | 1,061,852 | 753,868 |
| Final dividend distribution | 967,314 | 498,380 |
| | 2,029,166 | 1,252,248 |
| Add: Revenue deducted on cancellation of shares | 109,370 | 404,832 |
| Deduct: Revenue received on issue of shares | (155,765) | (277,830) |
| | 1,982,771 | 1,379,250 |
| Interest payable and similar charges | 603 | 16,986 |
| Total finance costs | 1,983,374 | 1,396,236 |
| Reconciliation of distributions | | |
| Net revenue after taxation | 1,823,133 | 1,155,790 |
| Expenses paid from capital | 160,178 | 223,460 |
| Relief on expenses allocated to capital | (1,570) | (540) |
| Balance brought forward | (540) | - |
| Balance carried forward | 1,570 | 540 |
| Net distribution for the year | 1,982,771 | 1,379,250 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 7 Debtors | 31.12.2022 | 31.12.2021 |
|--|-------------------|-------------------|
| | £ | £ |
| Amounts receivable on unsettled trades | - | 9,735 |
| Amounts receivable on creation of shares | 10,130 | 143,621 |
| Accrued revenue: | | |
| Non taxable dividends | 100,851 | 44,210 |
| Property income distributions (PID) | 3,923 | 3,923 |
| Withholding tax reclaimable | 4,471 | - |
| Prepaid expenses | 2,049 | 48 |
| Total debtors | <u>121,424</u> | <u>201,537</u> |

| 8 Cash and bank balances | 31.12.2022 | 31.12.2021 |
|---------------------------------|-------------------|-------------------|
| | £ | £ |
| Cash and bank balances | <u>3,163,016</u> | <u>1,861,232</u> |

| 9 Creditors | 31.12.2022 | 31.12.2021 |
|--|-------------------|-------------------|
| | £ | £ |
| Amounts payable on unsettled trades | 8,278 | - |
| Amounts payable on cancellation of shares | 78,421 | 189,010 |
| Amounts payable to the ACD, associates of the ACD and agents of either of them: | | |
| Annual management charge | 47,730 | 57,355 |
| Amounts payable to the depositary, associates of the depositary and agents of either of them; | | |
| Depositary's fees | 1,982 | 2,633 |
| Transaction charges | 6,087 | 1,138 |
| Safe custody and other custodian charges | <u>3,243</u> | <u>873</u> |
| | 11,312 | 4,644 |
| Audit fee | 8,676 | 8,255 |
| Other accrued expenses | 746 | 527 |
| Total creditors | <u>155,163</u> | <u>259,791</u> |

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 December 2022 would have increased/decreased by £7,242,901 (31 December 2021: £8,574,080).

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 | |
|-----------|-------------------------------------|------------|---------------------|------------|------------------|------------|
| | £ | | £ | | £ | |
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Sterling | 2,664,692 | 1,547,379 | 72,429,011 | 85,740,800 | 75,093,703 | 87,288,179 |
| Euro | 4,471 | - | - | - | 4,471 | - |
| US Dollar | 31,919 | - | - | - | 31,919 | - |
| Total | 2,701,082 | 1,547,379 | 72,429,011 | 85,740,800 | 75,130,093 | 87,288,179 |

Interest rate risk

Interest rate risk is the risk to portfolio value due to changes in interest rates. The magnitude of the exposure from an adverse change in interest rates depends on the sensitivity of the instrument to changes in interest rates as well as the absolute change in interest rates. In general, values of long-term instruments are more sensitive to interest rate changes than the values of short-term instruments.

The sub-fund take on interest rate risk when the investment manager believes the expected returns compensate for the risk, limited by the investment objective, policy and any prospectus rules. The investment manager monitors the level of interest rate risk in the fund on a regular basis. In addition any cash deposits in the sub-fund are linked to SONIA, ensuring interest income increases as interest rates increase.

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

| | 31.12.2022 | 31.12.2021 |
|--|-------------------|-------------------|
| | £ | £ |
| Financial assets floating rate | 3,163,016 | 1,861,232 |
| Financial assets interest bearing instruments | - | - |
| Financial assets non-interest bearing instruments | 72,550,435 | 85,942,337 |
| Financial liabilities non-interest bearing instruments | (583,358) | (515,390) |
| Financial liabilities floating rate | - | - |
| | 75,130,093 | 87,288,179 |

Maturity of financial liabilities

The financial liabilities of the Sub-fund as at 31 December 2022 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.

10 Risk management (continued)

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.

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 | 31.12.2022 | | 31.12.2021 | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | Assets (£000's) | Liabilities (£000's) | Assets (£000's) | Liabilities (£000's) |
| Level 1: Unadjusted quoted price in an active market for an identical instrument | 72,429 | - | 85,741 | - |
| Total | 72,429 | - | 85,741 | - |

11 Shares held

Net Accumulation

| | |
|--|-------------------|
| Opening Shares at 01.01.2022 | 21,550,869 |
| Shares issued during the year | 8,165,672 |
| Shares cancelled during the year | (5,145,136) |
| Shares converted during the year | - |
| Closing Shares as at 31.12.2022 | 24,571,405 |

Net Income

| | |
|--|-------------------|
| Opening Shares at 01.01.2022 | 24,173,130 |
| Shares issued during the year | 2,311,517 |
| Shares cancelled during the year | (5,233,824) |
| Shares converted during the year | - |
| Closing Shares as at 31.12.2022 | 21,250,823 |

12 Contingent assets and liabilities

At 31 December 2022, the Company had no contingent liabilities or commitments (31 December 2021: £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 30 December 2022. Since that date, the Sub-fund's quoted price has moved as follows:

| Share class | Price (GBP) at 30 December 2022 | Price (GBP) at 27 April 2023 |
|------------------|---------------------------------|------------------------------|
| Net Accumulation | 173.0120 | 171.4481 |
| Net Income | 156.8719 | 155.4532 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Direct transaction costs

| | 2022 | | 2021 | |
|--|-------------------|----------------|-------------------|----------------|
| | £ | % | £ | % |
| Analysis of total purchase costs | | | | |
| Purchases in the year before transaction costs | 22,910,876 | | 52,692,531 | |
| Commissions | 32,663 | 0.14% | 67,017 | 0.13% |
| Taxes & levies | 72,198 | 0.31% | 174,965 | 0.33% |
| Total purchase costs | <u>104,861</u> | <u>0.45%</u> | <u>241,982</u> | <u>0.46%</u> |
| Total purchases including transaction costs | <u>23,015,737</u> | | <u>52,934,513</u> | |
| Analysis of total sale costs | | | | |
| Sales in the year before transaction costs | 22,832,554 | | 79,923,130 | |
| Commissions | (33,138) | (0.15%) | (117,048) | (0.15%) |
| Taxes & levies | (267) | (0.00%) | (1,022) | (0.00%) |
| Total sale costs | <u>(33,405)</u> | <u>(0.15%)</u> | <u>(118,070)</u> | <u>(0.15%)</u> |
| Total sales net of transaction costs | <u>22,799,149</u> | | <u>79,805,060</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:

| | 2022 £ | % of average net asset value | 2021 £ | % of average net asset value |
|----------------|----------------|---------------------------------|----------------|---------------------------------|
| Commissions | 65,801 | 0.09% | 184,065 | 0.17% |
| Taxes & Levies | 72,465 | 0.10% | 175,987 | 0.16% |
| | <u>138,266</u> | <u>0.19%</u> | <u>360,052</u> | <u>0.33%</u> |

15 Portfolio Dealing Spread

The average portfolio dealing spread at 31 December 2022 is 1.96% (2021 1.56%).

16 Related Party transactions

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

Amounts paid to the ACD and its associates are disclosed in note 4. The amounts due to the ACD and its associates at the balance sheet date are disclosed in note 9.

DISTRIBUTION TABLES

For the year ended 31 December 2022

Interim distribution in pence per share

Group 1: Shares purchased prior to 01 January 2022

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

01 January 2022 to 30 June 2022

| Net Income | Net revenue 31 August 2022 | Equalisation | Distribution 31 August 2022 | Distribution 31 August 2021 |
|------------|-------------------------------|--------------|--------------------------------|--------------------------------|
| Group 1 | 2.3782p | - | 2.3782p | 1.1568p |
| Group 2 | 1.7044p | 0.6738p | 2.3782p | 1.1568p |

| Net Accumulation | Net revenue 31 August 2022 | Equalisation | Distribution 31 August 2022 | Distribution 31 August 2021 |
|------------------|-------------------------------|--------------|--------------------------------|--------------------------------|
| Group 1 | 2.5439p | - | 2.5439p | 1.2249p |
| Group 2 | 1.6489p | 0.8950p | 2.5439p | 1.2249p |

Final Distribution in Pence per Share

Group 1 – Shares purchased prior to 01 July 2022

Group 2 – Shares purchased on or after 01 July 2022 and on or before 31 December 2022

01 July 2022 to 31 December 2022

| Net Income | Net revenue 28 February 2023 | Equalisation | Distribution 28 February 2023 | Distribution 26 February 2022 |
|------------|---------------------------------|--------------|----------------------------------|----------------------------------|
| Group 1 | 2.0150p | - | 2.0150p | 1.0574p |
| Group 2 | 0.7927p | 1.2223p | 2.0150p | 1.0574p |

| Net Accumulation | Net revenue 28 February 2023 | Equalisation | Distribution 28 February 2023 | Distribution 26 February 2022 |
|------------------|---------------------------------|--------------|----------------------------------|----------------------------------|
| Group 1 | 2.1941p | - | 2.1941p | 1.1265p |
| Group 2 | 0.2562p | 1.9379p | 2.1941p | 1.1265p |

Information for corporate shareholders

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

- i) 99.66% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 0.34% 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

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

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 2022 and capital gains within the Company will not be taxed.

Individual shareholders

Income tax: Tax-free annual dividend allowance now standing at £2,000 (2022/23). 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)

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

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

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

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

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

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

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

CORPORATE DIRECTORY

| | |
|---|---|
| Authorised Corporate Director, Manager & Registrar | 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 |
| Director | Valu-Trac Investment Management Limited as ACD |
| Investment Manager | Teviot Partners LLP 46 Charlotte Square Edinburgh Scotland EH2 4HQ Authorised and regulated by the Financial Conduct Authority |
| Depositary | 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 |
| Auditor | Johnston Carmichael LLP Commerce House South Street Elgin IV30 1JE |

Statement by the Authorised Fund Manager (AFM) to the shareholders of the 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 2022

This assessment is to establish what the 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 the overall summary of this assessment, **as at 31 December 2022:**

| | 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 | | | | | | | | |
| Net Income | ● G | ● G | ● G | ● G | ● G | ● G | ● G | ● G |
| Net Accumulation | ● G | ● G | ● G | ● G | ● G | ● G | ● G | ● G |

The dashboard below shows the overall summary for the previous assessment i.e. carried out as at 31 December 2021:

| | 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 | | | | | | | | |
| Net Income | ● G | ● G | ● G | ● G | ● G | ● G | ● G | ● G |
| Net Accumulation | ● G | ● G | ● G | ● G | ● G | ● G | ● G | ● G |

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

The fund was launched on 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).

| At and for the year ended | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 31-Dec-22 | 31-Dec-21 | 31-Dec-20 | 31-Dec-19 | 31-Dec-18 |
| Value of Fund (per Performance Record) | | | | | |
| Net Accumulation | £42.5m | £43.0m | £35.7m | £20.8m | £14.7m |
| Net Income | £33.3m | £44.9m | £56.2m | £58.2m | £35.1m |
| Shares outstanding | | | | | |
| Net Accumulation | 24.6m | 21.6m | 23.1m | 14.2m | 13.5m |
| Net Income | 21.3m | 24.2m | 38.5m | 41.9m | 33.0m |

| | | | | | |
|---|----------|---------|---------|---------|---------|
| NAV per share | | | | | |
| Net Accumulation | 173.01p | 199.44p | 154.49p | 146.07p | 109.36p |
| Net Income | 156.87p | 185.88p | 145.90p | 138.81p | 106.40p |
| | | | | | |
| Dividend per share | | | | | |
| Net Accumulation | 4.74p | 2.35p | 0.79p | 3.10p | 3.22p |
| Net Income | 4.39p | 2.21p | 0.75p | 3.00p | 3.19p |
| | | | | | |
| Operating charges | | | | | |
| Net Accumulation | 0.86% | 0.83% | 0.86% | 0.86% | 0.96% |
| Net Income | 0.86% | 0.83% | 0.86% | 0.86% | 0.96% |
| | | | | | |
| Net (losses) / gains before expenses | | | | | |
| Capital (losses) / gains | (£13.5m) | £25.9m | £3.8m | £16.7m | (£5.1m) |
| Total Net (losses) / gains | (£11.1m) | £28.0m | £4.8m | £18.7m | (£3.9m) |
| | | | | | |

Source: 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. 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 company 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).

To show capital and income growth, the total returns generated are shown on the table below this is after operating costs, including the fee paid to the investment manager, and transaction costs which vary depending on the class of shares, this is discussed more in the Classes of Units section below.

| | 2022 Performance | 2022 Comparator Performance | 5-Year Performance (p.a) | 5-Year Comparator Performance (p.a) |
|------------------|-----------------------------|--|---|--|
| Net Accumulation | (13.25%) | (21.93%) | 8.80% | 0.22% |
| Net Income | (13.25%) | (21.93%) | 8.78% | 0.22% |

Source: Morningstar

The AFM has also assessed the risk the fund took to achieve the above performance and has concluded that the fund not taken excessive risk to achieve this performance (detailed analysis on how we have arrived at this conclusion can be provided on request).

3. AFM costs - general

The costs charged during the year ended 31 December 2022 were as follows:

| | £ | %age of average fund value |
|---------------------------------|----------------|-----------------------------------|
| Investment Manager's fee | 558,193 | 0.75% |
| ACD fee | 35,170 | 0.05% |
| Depositary fee | 26,068 | 0.04% |
| Audit fee | 9,121 | 0.01% |
| FCA fee | 48 | 0.00% |
| Safe custody fee | 2,963 | 0.00% |
| Transaction charges (custodian) | 5,892 | 0.01% |
| Other expenses | 9,144 | 0.01% |
| Total Costs | 646,599 | 0.87% |

Total losses for the year (capital and revenue) less costs were £11.71m. 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 £0.35m with the average dilution levy being 0.98%, the average dilution levy on subscriptions was 1.19% and 0.77% for redemptions. In its absolute discretion the AFM 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. Note that the operating charges excludes the Transaction charges (capital). This is shown below:

| | Operating charges |
|--|-------------------|
| Net Accumulation | 0.86% |
| Net Income | 0.86% |
| IA UK Smaller Companies Sector (average of 10 largest funds) | 1.36% |

Source - Morningstar

The AFM has concluded that the investment management fees are appropriate and justified for 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. An example of this is the depositary fees charged being on a sliding scale so reduce in cost as the Fund exceeds certain thresholds. 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

The services provided to this fund and the costs are also comparable amongst other similar funds operated by the AFM, and is aligned with its normal operating model.

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 | | | | | | | | |
| Net Income | ● G | ● G | ● G | ● G | ● G | ● G | ● G | ● G |
| Net Accumulation | ● G | ● G | ● G | ● G | ● G | ● G | ● G | ● G |

In taking all these criteria into consideration the AFM 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.

04 April 2023