

# LF Miton Investment Funds 3

(Formerly CF Miton Investment Funds 3)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MAY 2018



**LF Miton European Opportunities Fund**  
**(Formerly CF Miton European Opportunities Fund)**

**LF Miton Global Infrastructure Income Fund**  
**(Formerly CF Miton Global Infrastructure Income Fund)**

**LF Miton UK Multi Cap Income Fund**  
**(Formerly CF Miton UK Multi Cap Income Fund)**

**LF Miton UK Smaller Companies Fund**  
**(Formerly CF Miton UK Smaller Companies Fund)**

**LF Miton UK Value Opportunities Fund**  
**(Formerly CF Miton UK Value Opportunities Fund)**

**LF Miton US Opportunities Fund**  
**(Formerly CF Miton US Opportunities Fund)**

**LF Miton US Smaller Companies Fund**

## AUTHORISED CORPORATE DIRECTOR ('ACD')

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### LINK FUND SOLUTIONS LIMITED

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65 Gresham Street  
London EC2V 7NQ  
Telephone: 0870 607 2555  
Fax: 0870 607 2550  
Email: [investorservices@linkgroup.co.uk](mailto:investorservices@linkgroup.co.uk)  
(Authorised and regulated by  
the Financial Conduct Authority)

## DIRECTORS OF THE ACD

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C. Addenbrooke  
N. Boyling  
B. Hammond  
P. Hugh-Smith  
K.J. Midl  
A.J. Stuart (appointed 15 November 2017)

## INVESTMENT MANAGER

---

### MITON ASSET MANAGEMENT LIMITED

6th Floor  
Paternoster House  
65 St Paul's Churchyard  
London EC4M 8AB  
(Authorised and regulated by  
the Financial Conduct Authority)

## DEPOSITARY

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

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

## REGISTRAR

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### LINK FUND ADMINISTRATORS LIMITED

Customer Service Centre:  
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Millshaw Park Lane  
Leeds LS11 0PA  
Telephone: 0345 606 6182  
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(Authorised and regulated by  
the Financial Conduct Authority)

## INDEPENDENT AUDITOR

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### ERNST & YOUNG LLP

25 Churchill Place  
Canary Wharf  
London E14 5EY

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## ACD'S REPORT

for the year ended 31 May 2018

### Authorised Status

LF Miton Investment Funds 3 ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC000912 and authorised by the Financial Conduct Authority with effect from 14 September 2011. The Company has an unlimited duration.

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

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

### Important Information

With effect from 1 July 2017, the minimum periodic fee charged by the BNY Mellon Trust & Depositary (UK) Limited ('the Depositary') to each of the sub-funds of the Company for acting as Depositary was increased. Please refer to the Charges, Fees and Expenses section of the Company's Prospectus for further details regarding the charge.

With effect from 16 October 2017, the address of the ACD has changed to 6th Floor, 65 Gresham Street, London EC2V 7NQ.

As a result of the completion of the acquisition of Capita Financial Managers Limited by Link Administration Holdings Limited on 3 November 2017, the name of the ACD has changed to Link Fund Solutions Limited. Additionally, the Registrar of the Company has changed its name from Capita Financial Administrators Limited to Link Fund Administrators Limited and the trading name for the ACD and Administrator has also changed from Capita Asset Services to Link Asset Services.

With effect from 15 December 2017, the following Depositary changes were made:

- Name change from BNY Mellon Trust & Depositary (UK) Limited to The Bank of New York Mellon (International) Limited;
- Registered and head office address to One Canada Square, London E14 5AL; and
- The Depositary is authorised by the Prudential Regulation Authority and is dual regulated by the Financial Conduct Authority and Prudential Regulation Authority.

With effect from 18 December 2017, the new name of the ACD is reflected in the name of the Company and its sub-funds as follows:

- CF Miton Investment Funds 3 changed to LF Miton Investment Funds 3;
- CF Miton European Opportunities Fund changed to LF Miton European Opportunities Fund;
- CF Miton Global Infrastructure Income Fund changed to LF Miton Global Infrastructure Income Fund;
- CF Miton UK Multi Cap Income Fund changed to LF Miton UK Multi Cap Income Fund;
- CF Miton UK Smaller Companies Fund changed to LF Miton UK Smaller Companies Fund;
- CF Miton UK Value Opportunities Fund changed to LF Miton UK Value Opportunities Fund and;
- CF Miton US Opportunities Fund changed to LF Miton US Opportunities Fund.

## ACD'S REPORT *continued*

On 7 March 2018, the 'A' Accumulation share class was launched in the LF Miton European Opportunities Fund.

On 14 March 2018, a new sub-fund, the LF Miton US Smaller Companies Fund was launched. Further details on this sub-fund are available in the latest Company Prospectus.

With effect from 4 July 2018, the following changes took place in relation to the LF Miton UK Value Opportunities Fund and the LF Miton US Opportunities Fund for new investors from that date:

- Removal of the initial charge for all share classes.

With effect from 30 August 2018, distributions on the LF Miton Global Infrastructure Income Fund changed from semi-annually to quarterly.

### Cross Holdings

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

### Remuneration Policy

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

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

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

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 31 December 2017, being the most recent accounting period for which accounts have been prepared for LFSL prior to the production of these accounts. As at 31 December 2017, LFSL operated 95 UCITS and 59 AIFs, whose respective assets under management ('AuM') were £41,425 million and £16,780 million. This Company was valued at £2,169 million as at that date and represented 3.73% of LFSL's total AuM and 5.24% of its UCITS AuM.

## ACD'S REPORT *continued*

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

	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 31 December 2017	188	5,497	633	6,130
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 31 December 2017				
Senior management (including all Board members)	6	551	132	683
Staff engaged in control functions	4	310	–	310
Risk takers and other identified staff	15	995	19	1,014
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–

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

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

Further details can be found at [www.linkfundsolutions.co.uk/assets/media/LFS\\_Explanation\\_of\\_Compliance\\_with\\_Remuneration\\_Code.pdf](http://www.linkfundsolutions.co.uk/assets/media/LFS_Explanation_of_Compliance_with_Remuneration_Code.pdf).

### Securities Financing Transactions

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

### LINK FUND SOLUTIONS LIMITED

ACD of LF Miton Investment Funds 3  
7 September 2018

## DIRECTOR'S STATEMENT

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

**N. BOYLING**

**LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton Investment Funds 3

*7 September 2018*

## STATEMENT OF ACD'S RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, comprising each of its sub-funds, and of the net revenue/expense and of the net capital gains/losses on the scheme property of the Company's sub-funds for that year. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements in accordance with the requirements of the IA SORP; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company's sub-funds and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company's sub-funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's Auditor is unaware; and
- the ACD has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is aware of that information.



## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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

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

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

The Depositary must ensure that:

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

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

## REPORT OF THE DEPOSITARY

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

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

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

Depositary of LF Miton Investment Funds 3

*7 September 2018*

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF MITON INVESTMENT FUNDS 3

### Opinion

We have audited the financial statements of LF Miton Investment Funds 3 ('the Company') for the year ended 31 May 2018 which comprise the Statement of Total Return and Statement of Changes in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's sub-funds, the accounting policies of the Company, the related notes for each sub-fund and the Distribution Tables, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to 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 comprising each of its sub-funds as at 31 May 2018 and of the net revenue/expenses and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### 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 further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF MITON INVESTMENT FUNDS 3** *continued*

### **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 ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on Other Matters Prescribed by the Rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority**

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

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

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF MITON INVESTMENT FUNDS 3** *continued*

### **Responsibilities of Authorised Corporate Director (ACD)**

As explained more fully in the ACD's Responsibilities Statement set out on page 13, the ACD 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 ACD 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 ACD 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 ACD 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of Our Report**

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

**ERNST & YOUNG LLP**

Statutory Auditor

London

7 September 2018

## ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 31 May 2018

### 1. Accounting Policies

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

#### (A) BASIS OF ACCOUNTING

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

#### (B) RECOGNITION OF REVENUE

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

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

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

Underwriting commission is wholly recognised as revenue when the issue takes place, except where the Company is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

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

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

#### (C) TREATMENT OF EXPENSES

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

The LF Miton Global Infrastructure Fund receives a rebate of the expenses to ensure the OCF for the 'B' share classes does not exceed 1.50% and does not exceed 1.00% for the 'F' classes.

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

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

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

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

### (E) TAXATION

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

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

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

### (F) BASIS OF VALUATION OF INVESTMENTS

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

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

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

### (G) EXCHANGE RATES

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

### (H) DILUTION LEVY

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

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

### (I) DIRECT TRANSACTION COSTS

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

## 2. Distribution Policies

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

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

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

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

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



## **LF MITON EUROPEAN OPPORTUNITIES FUND ACD'S REPORT**

for the year ended 31 May 2018

### **Important Information**

Refer to the 'Important Information' section on pages 9 and 10.

### **Investment Objective and Policy**

The investment objective of LF Miton European Opportunities Fund ('the Fund') is to achieve a combination of income and growth.

The Fund aims to achieve this objective by investing predominantly in the shares of European companies with a bias toward mid cap equities. The Fund may also invest in collective investment schemes, cash, money market instruments and other transferable securities. Derivatives and forward transactions may be used for the purposes of Efficient Portfolio Management.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton European Opportunities Fund  
*7 September 2018*

## LF MITON EUROPEAN OPPORTUNITIES FUND INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2018

### Performance

Over the year, the Fund returned +13.2%, by way of a comparison the FTSE World Europe ex UK Index returned 0.9%<sup>1</sup>. The average of our peer group in the IA Europe excluding UK sector returned +2.4%<sup>1</sup>. This performance ranks the Fund third out of 111 funds in its peer group over the past year.

### Style

As bottom up stock pickers, we look for strong businesses with tremendous potential to compound their earnings over the medium term. We buy them and we hold on with a long investment horizon (turnover is a huge performance drag). Strong businesses have common characteristics. They have 'large moats' in that they have substantial barriers to competition. They make a high return on capital. The business earnings are driven by factors within management control, resulting from doing lots of little things every day and delivering cash. The business activity tends to be less sensitive to the economy than average companies.

But a static 'as is' situation is not enough, change is very important. We look for businesses with high and ideally accelerating sales growth. This can be from unit growth (new products, market share gain, new markets), pricing power, or positive mix shift: ideally all three. These businesses might well be benefitting from a long term structural tailwind (such as an ageing demographic in the developed world). Superior revenue growth should drive operational leverage, expand margins and increase return on capital. Earnings from businesses with an increasing rate of value creation are valued more highly by the stock market.

Europe has many of these great businesses, by way of example, in areas such as branding and hi tech engineering. Family shareholdings are common, which we like very much in contrast to Anglo Saxon short tenure, heavily short term share optioned, CEOs. Ferrari the sports car manufacturer, is a perfect example of these attributes and is a top three position for us.

Although we are size agnostic, the above characteristics are most commonly expressed in medium sized businesses and this is our investment sweet spot. We own none of the top 20 index names, and approximately two thirds of our NAV is in medium sized companies (with a market capitalisation between £1bn to £10bn). We look for businesses whose best days are ahead, not behind them.

We approach valuation by thinking about what the company's profit will look like in the medium term, and then thinking about what we would pay for the business in that year. As long as this is not reflected in the current share price, then the risk / reward remains positive and we hold on.

In our experience stock markets are very good at the valuation of short term earnings, less good at understanding medium term earnings, and poor at understanding change. Consequently, we spend our time focused on the latter rather than the former.

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<sup>1</sup> Source: FE Analytics. The Indices are used by the Investment Manager for comparison; no benchmark is required to be disclosed per the prospectus.

## **LF MITON EUROPEAN OPPORTUNITIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Portfolio Evolution**

The Fund was launched in December 2015. We employ a long investment horizon and a consistent strategy so there has been no change to the style of the Fund, the risk levels, macro tilt or the type of holdings we have. As we are not macro specialists we aim at all times to have no net macro exposure. If you like we aim to outperform with our 'defensives' versus the defensive names in the index and we aim to outperform with our 'cyclicals' versus the cyclical names in the index. We continue to believe that economic growth will be in short supply over the coming years as governments, corporates and individuals struggle with ageing demographics, low productivity growth, and high debt levels. In these markets it is more, not less, important to focus on the long-term fundamentals, to look for the few true growth companies and ignore the shorter-term noise.

As we have a relatively long holding period the year under review didn't see any new names to the Fund appearing in our top 10. We believe that competitive advantage once established goes on for longer than you think.

Our performance was relatively broadly based however a couple of mini sectors contributed strongly. We believe that traditional banks are slow moving conglomerates (lots of different products, to lots of different types of customer, through lots of different channels, often through a myriad of legacy systems) and the Fund reflects this being substantially underweight banks and overweight fintech. Wirecard, the German internet payments provider and FincoBank, the Italian savings platform were two of our top contributors. Another mini area that contributed strongly were the producers of 'healthy bacteria', the Danish Christian Hansen and the Swedish BioGaia. We believe that we are at the beginning of our understanding of the human microbiome.

### **Outlook**

The economic backdrop remains uncertain. China appears to be in a (mini?) upswing, but long term it is unclear how its falling productivity and rising debt burden will be addressed. Europe is seeing its strongest growth in a decade, but at the margin the economy is starting to cool. Political flare ups are a constant risk. The US continues to expand around its new normal trend of 2% GDP growth, but the president brings considerable uncertainty to the medium term, and interest rates are rising. Both the US and Europe are seeing rising bond yields and the beginning of the end of quantitative easing.

We are pleased with the performance of the Fund this last year. Our local broker contact network is as good as it has ever been and we have a long list of potential stock ideas. We will be very busy in the months ahead travelling to see them. All our holdings have outstanding growth prospects yet trade at a significant discount to intrinsic value.

We continue to have a bias away from the very largest companies. Approximately two thirds of our NAV is in medium sized companies (with a market capitalisation between £1bn to £10bn). We look for businesses whose best days are ahead, not behind them.

## **LF MITON EUROPEAN OPPORTUNITIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Outlook** *continued*

We are stock pickers not economists. We will continue to try and run an economically balanced fund and a portfolio of great companies that will thrive/survive whatever the weather.

We are positive on our investments and we continue to find great ideas across Europe.

**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

14 June 2018

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FUND INFORMATION

#### Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. As the Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

During the year the indicator changed from 6 to 5. The Fund has been classed as 5 because its volatility has been measured as above average.

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

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

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

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

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' ACCUMULATION SHARES

##### CHANGE IN NET ASSETS PER SHARE

31 May 2018<sup>1</sup>  
pence per share

Opening net asset value per share	100.00
Return before operating charges*	2.90
Operating charges	(0.35)
Return after operating charges	2.55
Distributions	(0.54)
Retained distributions on accumulation shares	0.54
Closing net asset value per share	102.55
* after direct transaction costs of:	0.04

##### PERFORMANCE

Return after charges	2.55%
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##### OTHER INFORMATION

Closing net asset value (£'000)	11
Closing number of shares	11,046
Operating charges	1.64% <sup>2</sup>
Direct transaction costs	0.19%

##### PRICES

Highest share price	103.76
Lowest share price	93.18

<sup>1</sup> From 7 March 2018.

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

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 <sup>1</sup> pence per share
Opening net asset value per share	152.70	107.86	100.00
Return before operating charges*	21.75	45.95	8.08
Operating charges	(1.44)	(1.11)	(0.22)
Return after operating charges	20.31	44.84	7.86
Distributions	(0.89)	(1.26)	(1.00)
Retained distributions on accumulation shares	0.89	1.26	1.00
Closing net asset value per share	173.01	152.70	107.86
* after direct transaction costs of:	0.31	0.31	0.15

##### PERFORMANCE

Return after charges	13.30%	41.57%	7.86%
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##### OTHER INFORMATION

Closing net asset value (£'000)	22,912	4,734	115
Closing number of shares	13,243,253	3,100,243	107,127
Operating charges	0.89% <sup>3</sup>	0.87%	0.96% <sup>2</sup>
Direct transaction costs	0.19%	0.24%	0.32% <sup>2</sup>

##### PRICES

Highest share price	175.03	153.07	107.98
Lowest share price	150.10	105.36	92.57

<sup>1</sup> From 15 December 2015.

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

<sup>3</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 <sup>1</sup> pence per share
Opening net asset value per share	153.37	108.07	100.00
Return before operating charges*	21.85	46.10	8.24
Operating charges	(1.04)	(0.80)	(0.17)
Return after operating charges	20.81	45.30	8.07
Distributions	(1.14)	(1.24)	(1.28)
Retained distributions on accumulation shares	1.14	1.24	1.28
Closing net asset value per share	174.18	153.37	108.07
* after direct transaction costs of:	0.31	0.31	0.15

##### PERFORMANCE

Return after charges	13.57%	41.92%	8.07%
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##### OTHER INFORMATION

Closing net asset value (£'000)	248,360	108,959	62,789
Closing number of shares	142,584,475	71,042,455	58,100,977
Operating charges	0.64% <sup>3</sup>	0.62%	0.71% <sup>2</sup>
Direct transaction costs	0.19%	0.24%	0.32% <sup>2</sup>

##### PRICES

Highest share price	176.21	153.74	108.19
Lowest share price	150.80	105.58	92.62

<sup>1</sup> From 15 December 2015.

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

<sup>3</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.



**LF MITON EUROPEAN OPPORTUNITIES FUND**  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2018 (%)**

	1 year	Since launch <sup>1</sup>
LF Miton European Opportunities Fund	13.23	73.32

<sup>1</sup> Launch date 15 December 2015.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on page 48.

**RISK WARNING**

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

## LF MITON EUROPEAN OPPORTUNITIES FUND PORTFOLIO STATEMENT

as at 31 May 2018

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	UNITED KINGDOM – 4.74% (31.05.17 – 3.42%)		
6,942,965	Allergy Therapeutics <sup>1</sup>	1,770	0.65
875,615	HomeServe	7,653	2.82
520,735	Sage	3,449	1.27
	TOTAL UNITED KINGDOM	12,872	4.74
	EUROPE – 94.33% (31.05.17 – 95.18%)		
	BELGIUM – 3.23% (31.05.17 – 3.65%)		
240,609	Ion Beam Applications	4,686	1.73
83,089	Kinopolis	4,082	1.50
	TOTAL BELGIUM	8,768	3.23
	DENMARK – 5.39% (31.05.17 – 4.90%)		
86,230	Christian Hansen	6,211	2.29
55,534	Pandora	3,264	1.20
118,760	Ringkjoebing Landbobank	5,158	1.90
	TOTAL DENMARK	14,633	5.39
	FRANCE – 11.37% (31.05.17 – 7.73%)		
102,991	Gaztransport & Technigaz	4,590	1.69
162,289	Lectra	3,075	1.13
40,268	Rémy Cointreau	4,472	1.65
85,239	Rubis	4,472	1.65
108,253	Sartorius Stedim Biotech	8,024	2.96
76,509	Ubisoft Entertainment	6,200	2.29
	TOTAL FRANCE	30,833	11.37
	GERMANY – 16.29% (31.05.17 – 15.25%)		
119,791	Carl Zeiss Meditec	6,184	2.28
127,435	Delivery Hero	4,389	1.62
30,231	Hypoport	4,084	1.50
171,540	Jungheinrich <i>non-voting preference shares</i>	5,017	1.85
162,758	RIB Software	3,110	1.15

## LF MITON EUROPEAN OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
262,310	Scout24	10,074	3.71
61,145	Wirecard	7,096	2.62
18,242	XING	4,225	1.56
	TOTAL GERMANY	44,179	16.29
	IRELAND – 0.00% (31.05.17 – 1.18%)	–	–
	ITALY – 16.77% (31.05.17 – 16.90% <sup>2</sup> )		
481,673	Amplifon	6,431	2.37
152,491	Banca IFIS	3,144	1.16
225,633	Brunello Cucinelli	6,769	2.50
589,283	Cerved Information Solutions	4,627	1.71
95,829	Ferrari	9,373	3.46
680,155	FinecoBank	5,104	1.88
122,585	Moncler	4,219	1.56
208,709	Recordati	5,804	2.13
	TOTAL ITALY	45,471	16.77
	LUXEMBOURG – 1.54% (31.05.17 – 2.53%)		
10,864	Eurofins Scientific	4,184	1.54
	MALTA – 0.00% (31.05.17 – 1.12%)	–	–
	NETHERLANDS – 6.04%% (31.05.17 – 3.58% <sup>2</sup> )		
82,295	Euronext	3,927	1.45
369,880	GrandVision	6,548	2.41
217,112	QIAGEN	5,917	2.18
	TOTAL NETHERLANDS	16,392	6.04

## LF MITON EUROPEAN OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	NORWAY – 7.83% (31.05.17 – 7.12%)		
264,440	Kongsberg Gruppen	4,177	1.54
679,567	Protector Forsikring	4,332	1.60
350,742	Schibsted	7,441	2.74
723,967	Skandiabanken	5,286	1.95
	TOTAL NORWAY	21,236	7.83
	SPAIN – 3.55% (31.05.17 – 2.49%)		
163,198	Grifols	3,608	1.33
1,189,531	Telepizza	6,031	2.22
	TOTAL SPAIN	9,639	3.55
	SWEDEN – 6.60% (31.05.17 – 9.06%)		
132,333	Avanza Bank	4,903	1.81
127,869	BioGaia	4,243	1.56
107,378	Hexagon 'B'	4,502	1.66
247,292	Sweco	4,259	1.57
	TOTAL SWEDEN	17,907	6.60
	SWITZERLAND – 15.72% (31.05.17 – 19.67%)		
1,355	Belimo	4,226	1.56
6,086	Interroll	7,881	2.90
3,369	LEM	4,260	1.57
26,606	Schindler	4,230	1.56
1,112	Sika	6,690	2.47
8,767	Straumann	4,353	1.60
62,269	Temenos	6,945	2.56
37,671	VAT	4,063	1.50
	TOTAL SWITZERLAND	42,648	15.72
	TOTAL EUROPE	255,890	94.33

**LF MITON EUROPEAN OPPORTUNITIES FUND**  
**PORTFOLIO STATEMENT** *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	Portfolio of investments	268,762	99.07
	Net other assets	2,521	0.93
	Net assets	271,283	100.00

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

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

<sup>2</sup> The comparative figure has been restated to be consistent with current year presentation. Ferrari has been reclassified from Netherlands to Italy.

## LF MITON EUROPEAN OPPORTUNITIES FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2018

Total purchases for the year £'000 (note 16)	179,388	Total sales for the year £'000 (note 16)	45,367
Major purchases	Cost £'000	Major sales	Proceeds £'000
Protector Forsikring	5,508	Lyxor	5,343
Schibsted	5,444	Erste Bank	4,701
Lyxor	5,283	SAP	4,366
Scout24	5,211	Nordax	3,896
Erste Bank	4,707	Geberit	3,142
Hexagon 'B'	4,581	XXL	3,122
GrandVision	4,473	Comet	2,973
Gaztransport & Technigaz	4,370	ASSA ABLOY	2,756
Euronext	4,141	Henkel	2,472
Rémy Cointreau	4,134	Ekornes	1,680
Sartorius Stedim Biotech	4,068	Kindred	1,628
Delivery Hero	4,055	Kingspan	1,291
Hypoport	3,803	Wirecard	1,155
Ion Beam Applications	3,720	RIB Software	924
Sage	3,680	Sartorius Stedim Biotech	885
QIAGEN	3,626	Temenos	873
Grifols	3,615	Scout24	755
Comet	3,499	Ion Beam Applications	726
Cerved Information Solutions	3,397	BioGaia	540
Recordati	3,221	Ferrari	463

The summary of material portfolio changes represents the 20 largest purchases and sales during the year.

## LF MITON EUROPEAN OPPORTUNITIES FUND STATEMENT OF TOTAL RETURN

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
Income:					
Net capital gains	3		22,442		28,853
Revenue	4	3,024		1,631	
Expenses	5	(1,163)		(503)	
Interest payable and similar charges	7	(7)		(3)	
Net revenue before taxation		1,854		1,125	
Taxation	6	(177)		(228)	
Net revenue after taxation			1,677		897
<b>Total return before distributions</b>			24,119		29,750
Distributions	8		(1,677)		(897)
<b>Change in net assets attributable to shareholders from investment activities</b>			22,442		28,853

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
<b>Opening net assets attributable to shareholders</b>			113,693		62,904
Amounts receivable on issue of shares		141,546		21,267	
Amounts payable on redemption of shares		(8,172)		(253)	
			133,374		21,014
Dilution levy	1(H)		25		3
Change in net assets attributable to shareholders from investment activities			22,442		28,853
Retained distributions on Accumulation shares	8		1,749		919
<b>Closing net assets attributable to shareholders</b>			271,283		113,693

## LF MITON EUROPEAN OPPORTUNITIES FUND BALANCE SHEET

as at 31 May 2018

	Notes	31 May 2018 £'000	31 May 2017 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		268,762	112,105
<b>Current assets</b>			
Debtors	9	3,510	780
Cash and bank balances	10	2,747	1,609
<b>Total assets</b>		<u>275,019</u>	<u>114,494</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	10	(1,073)	(614)
Other creditors	11	(2,663)	(187)
<b>Total liabilities</b>		<u>(3,736)</u>	<u>(801)</u>
<b>Net assets attributable to shareholders</b>		<u>271,283</u>	<u>113,693</u>



## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2018

### 1. Accounting Policies

The accounting policies described on pages 19 to 21 have been applied to the financial statements of the Fund in the current and prior year.

### 2. Distribution Policies

The distribution policies described on page 21 have been applied to the financial statements of the Fund in the current and prior year.

### 3. Net Capital Gains

The net capital gains during the year comprise:

	31 May 2018 £'000	31 May 2017 £'000
Non-derivative securities	22,697	28,775
Forward currency contracts	1	–
Transaction charges	(6)	(5)
Currency (losses)/gains	(250)	83
Net capital gains	22,442	28,853

### 4. Revenue

	31 May 2018 £'000	31 May 2017 £'000
Non-taxable dividends	3,023	1,631
Bank interest	1	–
Total revenue	3,024	1,631

## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 5. Expenses

	31 May 2018 £'000	31 May 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	929	412
Legal and professional fees	5	5
Typesetting and printing costs	3	5
Registration fees	84	28
	1,021	450
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	49	30
Safe custody and other bank charges	22	11
	71	41
Other expenses:		
Fees paid to auditor – audit fees	8	8
– tax services	(3)	4
Research costs	66	–
	71	12
Total expenses	1,163	503

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

### 6. Taxation

	31 May 2018 £'000	31 May 2017 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	177	228
Current tax charge	177	228

## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	177	228

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.17: 20%). The difference is explained below:

	31 May 2018 £'000	31 May 2017 £'000
Net revenue before taxation	1,854	1,125
Corporation tax at 20%	371	225
Effects of:		
Non-taxable dividends	(605)	(326)
Unutilised excess management expenses	234	101
Corporation tax charge	–	–
Overseas tax	177	228
Total tax charge (note 6a)	177	228

c) Deferred tax

At the year end there is a potential deferred tax asset of £354,000 (31.05.17: £120,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

### 7. Interest Payable and Similar Charges

	31 May 2018 £'000	31 May 2017 £'000
Interest payable	7	3
Total interest payable and similar charges	7	3

## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 8. Distributions

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

	31 May 2018 £'000	31 May 2017 £'000
Final	1,749	919
Add: Revenue deducted on redemption of shares	17	1
Deduct: Revenue received on issue of shares	(89)	(23)
Net distributions for the year	1,677	897

Details of the distributions per share are set out in the table on page 48.

### 9. Debtors

	31 May 2018 £'000	31 May 2017 £'000
Amounts receivable for issue of shares	3,253	443
Sales awaiting settlement	–	145
Accrued revenue:		
Non-taxable dividends	29	33
Taxation recoverable:		
Overseas withholding tax	228	159
Total debtors	3,510	780

### 10. Cash and Bank Balances

	31 May 2018 £'000	31 May 2017 £'000
Bank balances	2,747	1,609
Total cash and bank balances	2,747	1,609

## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
Bank overdraft	1,073	614
Total bank overdraft	1,073	614

### 11. Other Creditors

	31 May 2018 £'000	31 May 2017 £'000
Amounts payable for redemption of shares	1,091	–
Purchases awaiting settlement	1,420	116
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	117	47
Legal and professional fees	1	1
Typesetting and printing costs	1	2
Registration fees	11	3
	130	53
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	5	3
Transaction charges	1	1
Safe custody and other bank charges	7	2
	13	6
Other expenses	9	12
Total other creditors	2,663	187

## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 12. Related Party Transactions

Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited the ACD, registration fees payable to Link Fund Administrators Limited and typesetting and printing costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 36 and amounts due at the year end are disclosed in notes 9 and 11.

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

FundSettle EOC Nominees Ltd	48.16% (31.05.17: 91.34%)
-----------------------------	---------------------------

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.17: none).

### 14. Shares in Issue

	'A' Accumulation	'B' Accumulation	'F' Accumulation
Annual Management Charge	1.50%	0.75%	0.50%
Opening shares in issue	–	3,100,243	71,042,455
Issues	11,046	12,111,229	74,529,737
Redemptions	–	(1,911,139)	(3,044,450)
Conversions	–	(57,080)	56,733
Closing shares in issue	<u>11,046</u>	<u>13,243,253</u>	<u>142,584,475</u>

### 15. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

## **LF MITON EUROPEAN OPPORTUNITIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

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

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

### **(A) CREDIT RISK**

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

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

### **(B) INTEREST RATE RISK**

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

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

### **(C) FOREIGN CURRENCY RISK**

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

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

The table below shows the direct foreign currency risk profile:

	31 May 2018 £'000	31 May 2017 £'000
Currency:		
Danish krone	14,679	5,585
Euros	160,003	61,877
Norwegian krone	21,178	8,284
Swedish krona	17,907	11,624
Swiss francs	42,189	22,363
	<u>255,956</u>	<u>109,733</u>
Pounds sterling	15,327	3,960
Net assets	<u>271,283</u>	<u>113,693</u>

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £12,798,000 on the net assets of the Fund (31.05.17: £5,487,000).

### (D) LEVERAGE

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

### (E) LIQUIDITY RISK

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

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

All financial liabilities are payable in one year or less, or on demand.

### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.



## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £13,438,000 (31.05.17: £5,605,000). A 5% decrease would have an equal and opposite effect.

### (G) DERIVATIVES

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

## 16. Portfolio Transaction Costs

31 May 2018	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	173,806	194	106	174,106
Collective investment schemes	5,281	1	—	5,282
Purchases total	179,087	195	106	179,388
<i>Transaction cost % of purchases total</i>		0.11%	0.06%	
<i>Transaction cost % of average NAV</i>		0.11%	0.06%	
Ordinary shares	40,066	(41)	—	40,025
Collective investment schemes	5,344	(2)	—	5,342
Sales total	45,410	(43)	—	45,367
<i>Transaction cost % of sales total</i>		0.09%	—	
<i>Transaction cost % of average NAV</i>		0.02%	—	

Average portfolio dealing spread at 31.05.18 is 0.32% (31.05.17: 0.27%).

## LF MITON EUROPEAN OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

31 May 2017	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	55,533	102	30	55,665
Purchases total	55,533	102	30	55,665
<i>Transaction cost % of purchases total</i>		0.18%	0.05%	
<i>Transaction cost % of average NAV</i>		0.12%	0.04%	
Ordinary shares	34,703	(67)	–	34,636
Sales total	34,703	(67)	–	34,636
<i>Transaction cost % of sales total</i>		0.19%	–	
<i>Transaction cost % of average NAV</i>		0.08%	–	

### 17. Fair Value Hierarchy

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

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

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

**Level 3:** Valuation techniques using unobservable inputs.

All of the Fund's investments in the current and prior year are ordinary shares categorised as Level 1.

### 18. Subsequent Events

As at 6 September 2018, the net asset value of the Fund has risen by 42% compared to that at 31 May 2018, primarily due to the issue of shares and the rise in the value of securities held. These accounts were approved on 7 September 2018.

## LF MITON EUROPEAN OPPORTUNITIES FUND DISTRIBUTION TABLE

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

### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes. Where there is no distribution at the interim allocation dates, the final distribution is deemed to run for the whole year.

Group 2	Final
From	1 June 2017
To	31 May 2018 <sup>1</sup>

### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017 <sup>2</sup>
Group 1	0.5443	–	0.5443	–
Group 2	0.1249	0.4194	0.5443	–

### 'B' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	0.8910	–	0.8910	1.2614
Group 2	0.6565	0.2345	0.8910	1.2614

### 'F' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	1.1436	–	1.1436	1.2391
Group 2	1.0496	0.0940	1.1436	1.2391

<sup>1</sup> The distribution period for 'A' Accumulation shares relates to 7 March 2018 to 31 May 2018.

<sup>2</sup> Class launched 7 March 2018, therefore no comparative has been disclosed.

## **LF MITON GLOBAL INFRASTRUCTURE INCOME FUND ACD'S REPORT**

for the year ended 31 May 2018

### **Important Information**

Refer to the 'Important Information' section on pages 9 and 10.

### **Investment Objective and Policy**

The LF Miton Global Infrastructure Income Fund ('the Fund') aims to provide investors with income and long-term capital growth.

The Fund aims to achieve this objective by investing predominantly in equity securities issued by infrastructure companies operating in the infrastructure sector.

The Fund defines infrastructure companies as those that are involved in the movement and storage of goods, people, water and energy. These may include: regulated companies including utilities, oil pipelines and those involved in the transmission of power; transportation companies such as airports, marine ports, railroads, bridges and toll roads; communication companies including those that are involved in mobile and fixed line telecommunication networks; and/or companies operating social infrastructure assets including schools, car parks and hospitals.

The Fund may also invest in collective investment schemes, cash, near cash, deposits, warrants, money market instruments and other transferable securities.

The Fund may utilise derivative and forward contracts for Efficient Portfolio Management purposes only.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton Global Infrastructure Income Fund

7 September 2018

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2018

### Performance

The Fund's 'B' accumulation shares returned -6.54% over the year to 31 May 2018. In comparison the FTSE Developed Core Infrastructure 50/50 Sterling Total Return Index returned -1.83%<sup>1</sup> over the same period. Within the IA Global Equity Income sector the Fund was ranked in the fourth quartile over the year.

### Commentary

The first full year for the Fund has been characterised by strong underlying performance from the vast majority of stocks in the portfolio, with dividends and forecast dividend growth across the portfolio in line with or ahead of our expectations. However, the Fund value has been negatively impacted by both the strength of Sterling against the US and Canadian Dollar, and by negative sentiment around infrastructure sectors, as discussed further in the "Outlook" below.

Looking through the portfolio at the most significant stock contributions to the Fund's return, the biggest positives were from US railroads Union Pacific (stock up 27% in Sterling on a total return basis) and Norfolk Southern (+20%), US renewable generation operator NextEra Energy Partners (+13%), Italian telecom tower company Infrastrutture Wireless Italiane ('INWIT') (+9%) and National Express (+13%). The biggest negative contributions came from US infrastructure holding company Macquarie Infrastructure Company ('MIC') (-49%), North American oil and gas pipeline owner Enbridge (-20%), Californian regulated utility Edison International (-31%), telecom network stocks Telekom Indonesia (-25%) and Deutsche Telekom (-19%). In terms of contributions relative to the FTSE Developed Core Infrastructure 50/50 Sterling Total Return Index, the biggest positive relative returns were from the off-benchmark position in NextEra Energy Partners, the overweights in Union Pacific and INWIT and the zero positions in US regulated utilities Pacific Gas & Electric and Dominion Energy. The most significant relative negatives were from the overweights in MIC and Edison International and the off-benchmark holdings in Telekom Indonesia, Deutsche Telekom and renewable generation operator Pattern Energy.

### Portfolio

At 31 May 2018, the Fund held 46 stocks. The geographic breakdown by country of domicile was little changed from the prior year (weighting at 31 May 2017 in brackets). The Fund had 45% invested in US stocks (42%), 16% in Canada (16%), 19% in Continental Europe (15%), 7% in the UK (12%), 4% in Australia (4%), 2% in Japan (3%) and 2% in Indonesia (3%). The remaining 5% of the Fund included stocks listed in Hong Kong, Taiwan and Malaysia and the fund's small cash balance. By sector the Fund held 39% of its assets in utilities (48%), 22% in transportation (16%), 21% in energy infrastructure (22%) and 16% in telecommunications infrastructure (14%).

<sup>1</sup> Source: FE Analytics. The Index is used by the Investment Manager for comparison; no benchmark is required to be disclosed as per the prospectus.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND INVESTMENT MANAGER'S REPORT *continued*

### Portfolio *continued*

Over the year, we added seven new stocks to the portfolio, and fully divested five holdings. The new stocks were:

telecommunication tower companies INWIT and American Tower,  
airport operators Flughafen Zurich and Aena,  
NextEra Energy Partners, a US renewable energy generation company,  
Keyera, a Canadian oil and gas infrastructure company, and  
Fortum, a European electricity utility

The five stocks fully divested during the year were utilities OPG Power, National Grid, Edison International and Innogy and the Spanish-listed toll-road operator Abertis. Both Innogy and Abertis were sold following agreed cash offers, realising gains for the Fund from these investments.

### Outlook

The merits of infrastructure stocks in providing relatively safe, visible and sustainable returns when compared to the wider equity market are, we believe, well understood. However, we also believe that this predictability leads to investors viewing the returns as having the same profile as those of fixed income securities, hence the well-known “bond proxy” analogy. This analysis is true to a point, but we would argue that whereas bond coupons are fixed, the returns in terms of cashflows, earnings and, ultimately, dividends for many infrastructure stocks are growing. There are three underlying drivers of this growth.

Firstly, many infrastructure stocks have revenues which have a regulated or contractual link to inflation. Therefore, as inflation rises, the revenue base for these stocks automatically grows, and this can drop through at least in part to the bottom line. Secondly, although there are areas of infrastructure with minimal correlation of revenues to underlying GDP, other areas have a very clear and direct relationship. These would include airports, toll roads and railroads. For these stocks, GDP increases will drive revenues and, again, this revenue growth can at least in part feed through to bottom line earnings growth. Thirdly, there are a number of long-term trends which transcend GDP growth and economic cycles, and which will drive growth for infrastructure stocks on a multi-decade view. As an example, the growth of mobile data in both developed and emerging economies, and the infrastructure in terms of telecom towers and fibre networks which will be needed to facilitate this growth.

We believe that these underlying growth drivers are underestimated by the market, and are not reflected in share prices, particularly after the recent sell-off driven by sentiment over rising interest rates. They underpin our belief and ambition that the Fund can grow the dividend by between 4% and 6% on a long-term sustainable basis.

**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

20 June 2018

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND FUND INFORMATION

### Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. As the Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

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

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

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

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

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

**Concentration Risk:** The Fund is largely invested in companies which have exposure to infrastructure. This may mean the Fund is more sensitive to price swings than other funds.

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

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'B' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 <sup>1</sup> pence per share
Opening net asset value per share	101.30	100.00
Return before operating charges*	(5.48)	2.48
Operating charges	(1.01)	(0.28)
Return after operating charges	(6.49)	2.20
Distributions	(4.09)	(0.90)
Closing net asset value per share	90.72	101.30
* after direct transaction costs of:	0.09	0.15

##### PERFORMANCE

Return after charges	(6.41)%	2.20%
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##### OTHER INFORMATION

Closing net asset value (£'000)	882	275
Closing number of shares	971,766	271,657
Operating charges	1.05% <sup>4</sup>	1.49% <sup>2,3</sup>
Direct transaction costs	0.10%	0.15%

##### PRICES

Highest share price	104.16	102.68
Lowest share price	84.38	98.32

<sup>1</sup> From 23 March 2017.

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

<sup>3</sup> The Investment Manager has agreed, on a discretionary basis, to waive a portion of their fee in relation to the 'B' Income share class, in order to achieve an Ongoing Charges Figure that does not exceed 1.50%.

<sup>4</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.



## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 <sup>1</sup> pence per share
Opening net asset value per share	102.19	100.00
Return before operating charges*	(5.61)	2.47
Operating charges	(1.03)	(0.28)
Return after operating charges	(6.64)	2.19
Distributions	(4.17)	(0.90)
Retained distributions on accumulation shares	4.17	0.90
Closing net asset value per share	95.55	102.19
* after direct transaction costs of:	0.09	0.15

##### PERFORMANCE

Return after charges	(6.50)%	2.19%
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##### OTHER INFORMATION

Closing net asset value (£'000)	369	95
Closing number of shares	387,052	92,548
Operating charges	1.05% <sup>4</sup>	1.49% <sup>2,3</sup>
Direct transaction costs	0.10%	0.15%

##### PRICES

Highest share price	105.07	102.68
Lowest share price	86.89	98.32

<sup>1</sup> From 23 March 2017.

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

<sup>3</sup> The Investment Manager has agreed, on a discretionary basis, to waive a portion of their fee in relation to the 'B' Accumulation share class, in order to achieve an Ongoing Charges Figure that does not exceed 1.50%.

<sup>4</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 <sup>1</sup> pence per share
Opening net asset value per share	101.40	100.00
Return before operating charges*	(5.49)	2.49
Operating charges	(0.77)	(0.19)
Return after operating charges	(6.26)	2.30
Distributions	(4.10)	(0.90)
Closing net asset value per share	91.04	101.40
* after direct transaction costs of:	0.09	0.15

##### PERFORMANCE

Return after charges	(6.17)%	2.30%
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##### OTHER INFORMATION

Closing net asset value (£'000)	12,967	10,344
Closing number of shares	14,242,675	10,201,277
Operating charges	0.80% <sup>4</sup>	1.00% <sup>2,3</sup>
Direct transaction costs	0.10%	0.15%

##### PRICES

Highest share price	104.32	102.78
Lowest share price	84.64	98.40

<sup>1</sup> From 23 March 2017.

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

<sup>3</sup> The Investment Manager has agreed, on a discretionary basis, to waive a portion of their fee in relation to the 'F' Income share class, in order to achieve an Ongoing Charges Figure that does not exceed 1.00%.

<sup>4</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 <sup>1</sup> pence per share
Opening net asset value per share	102.30	100.00
Return before operating charges*	(5.63)	2.49
Operating charges	(0.79)	(0.19)
Return after operating charges	(6.42)	2.30
Distributions	(4.18)	(0.89)
Retained distributions on accumulation shares	4.18	0.89
Closing net asset value per share	95.88	102.30
* after direct transaction costs of:	0.09	0.15

##### PERFORMANCE

Return after charges	(6.28)%	2.30%
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##### OTHER INFORMATION

Closing net asset value (£'000)	4,946	1,647
Closing number of shares	5,158,103	1,609,709
Operating charges	0.80% <sup>4</sup>	1.00% <sup>2,3</sup>
Direct transaction costs	0.10%	0.15%

##### PRICES

Highest share price	105.24	102.78
Lowest share price	87.16	98.41

<sup>1</sup> From 23 March 2017.

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

<sup>3</sup> The Investment Manager has agreed, on a discretionary basis, to waive a portion of their fee in relation to the 'F' Accumulation share class, in order to achieve an Ongoing Charges Figure that does not exceed 1.00%.

<sup>4</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND**  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2018 (%)**

	1 year	Since launch <sup>1</sup>
LF Miton Global Infrastructure Income Fund	(6.54)	(4.04)

<sup>1</sup> Launch date 23 March 2017.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 75 and 76.

**RISK WARNING**

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

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND PORTFOLIO STATEMENT

as at 31 May 2018

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	UNITED KINGDOM – 6.57% (31.05.17 – 11.55%)		
122,400	National Express	491	2.56
6,000	Severn Trent	119	0.62
22,300	SSE	305	1.59
179,300	Vodafone	344	1.80
	TOTAL UNITED KINGDOM	1,259	6.57
	CONTINENTAL EUROPE – 18.51% (31.05.17 – 15.23%)		
	FINLAND – 2.43% (31.05.17 – 0.00%)		
26,500	Fortum	466	2.43
	GERMANY – 1.61% (31.05.17 – 4.84%)		
26,500	Deutsche Telekom	308	1.61
	ISLE OF MAN – 0.00% (31.05.17 – 0.72%)	–	–
	ITALY – 8.33% (31.05.17 – 6.42%)		
18,200	Atlantia	396	2.06
140,000	Enel	577	3.01
87,800	Infrastrutture Wireless Italiane	480	2.50
46,900	Sham	145	0.76
	TOTAL ITALY	1,598	8.33
	SPAIN – 3.58% (31.05.17 – 3.25%)		
2,600	Aena	375	1.96
20,000	Ferrovial	306	1.60
20,000	Ferrovial Rights 5/6/2018	5	0.02
	TOTAL SPAIN	686	3.58
	SWITZERLAND – 2.56% (31.05.17 – 0.00%)		
3,100	Flughafen Zurich	490	2.56
	TOTAL CONTINENTAL EUROPE	3,548	18.51

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	NORTH AMERICA – 61.37% (31.05.17 – 57.62%)		
	CANADA – 16.06% (31.05.17 – 16.28%)		
15,000	AltaGas	220	1.15
46,800	Enbridge	1,092	5.70
23,200	Gibson Energy	237	1.24
23,200	Inter Pipeline	329	1.72
10,300	Keyera	214	1.11
10,400	Pembina Pipeline	272	1.42
22,700	TransCanada	713	3.72
	TOTAL CANADA	3,077	16.06
	UNITED STATES – 45.31% (31.05.17 – 41.34%)		
13,300	Alliant Energy	414	2.16
11,100	American Electric Power	567	2.96
6,100	American Tower 'A'	634	3.31
5,750	DTE Energy	443	2.31
3,350	Duke Energy	194	1.01
26,600	Enterprise Products Partners	578	3.01
6,000	Macquarie Infrastructure	174	0.91
3,600	NextEra Energy	449	2.34
19,600	NextEra Energy Partners	662	3.45
32,000	Nisource	608	3.17
4,800	Norfolk Southern	547	2.85
28,900	Pattern Energy	404	2.11
8,600	PNM Resources	258	1.35
12,400	PPL	254	1.33
8,000	Union Pacific	858	4.48
9,900	WEC Energy	470	2.45
16,800	Williams	339	1.77
24,300	Xcel Energy	831	4.34
	TOTAL UNITED STATES	8,684	45.31
	TOTAL NORTH AMERICA	11,761	61.37

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
23,000	JAPAN – 2.45% (31.05.17 – 2.90%) KDDI	469	2.45
	FAR EAST (EX JAPAN) – 6.27% (31.05.17 – 8.20%)		
75,000	HONG KONG – 2.05% (31.05.17 – 2.58%) Power Assets	392	2.05
21,800	INDONESIA – 2.11% (31.05.17 – 3.28%) PT Telekomunikasi Indonesia ADRs	405	2.11
257,000	MALAYSIA – 1.12% (31.05.17 – 0.76%) Digi.com	214	1.12
7,000	TAIWAN – 0.99% (31.05.17 – 1.58%) Chunghwa Telecom ADRs	190	0.99
	TOTAL FAR EAST (EX JAPAN)	1,201	6.27
44,470	AUSTRALIA – 3.96% (31.05.17 – 3.82%) APA	220	1.15
130,500	Sydney Airport	540	2.81
	TOTAL AUSTRALIA	760	3.96
	Portfolio of investments	18,998	99.13
	Net other assets	166	0.87
	Net assets	19,164	100.00

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

*Definition:*

ADRs – American Depositary Receipts.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2018

Total purchases for the year £'000 (note 15)	12,267	Total sales for the year £'000 (note 15)	3,556
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
American Tower 'A'	713	Innogy	524
Enbridge	657	Edison International	388
NextEra Energy Partners	644	National Grid	363
Flughafen Zurich	624	Enterprise Products Partners	164
Enterprise Products Partners	497	SSE	140
Union Pacific	496	Nisource	139
Infrastrutture Wireless Italiane	482	PNM Resources	139
Fortum	479	Union Pacific	131
TransCanada	443	Xcel Energy	130
Xcel Energy	431	Abertis Infraestructuras	125
Aena	410	Pennon	117
American Electric Power	393	Enel	109
Sydney Airport	354	Deutsche Telekom	108
Pattern Energy	324	Norfolk Southern	100
Keyera	300	Alliant Energy	98
WEC Energy	292	Macquarie Infrastructure	80
Nisource	292	Vodafone	56
Innogy	287	OPG Power Ventures	46
Enel	274	TransCanada	42
Norfolk Southern	269	Duke Energy	41

The summary of material portfolio changes represents the 20 largest purchases and sales during the year.



## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND STATEMENT OF TOTAL RETURN

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 <sup>1</sup> £'000
Income:					
Net capital (losses)/gains	3		(1,989)		180
Revenue	4	843		103	
Expenses	5	(145)		(18)	
Net revenue before taxation		698		85	
Taxation	6	(87)		(10)	
Net revenue after taxation			611		75
<b>Total return before distributions</b>			(1,378)		255
Distributions	7		(753)		(93)
<b>Change in net assets attributable to shareholders from investment activities</b>			(2,131)		162

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 May 2018

	£'000	31 May 2018 £'000	£'000	31 May 2017 <sup>1</sup> £'000
<b>Opening net assets attributable to shareholders</b>		12,361		–
Amounts receivable on issue of shares	11,430		12,189	
Amounts payable on redemption of shares	(2,707)		(5)	
		8,723		12,184
Change in net assets attributable to shareholders from investment activities		(2,131)		162
Retained distributions on Accumulation shares		211		15
<b>Closing net assets attributable to shareholders</b>		19,164		12,361

<sup>1</sup> For the period from 23 March 2017 to 31 May 2017.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND BALANCE SHEET

as at 31 May 2018

	Notes	31 May 2018 £'000	31 May 2017 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		18,998	12,277
<b>Current assets</b>			
Debtors	8	94	316
Cash and bank balances	9	424	240
<b>Total assets</b>		<u>19,516</u>	<u>12,833</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Distribution payable	10	(315)	(94)
Other creditors	10	(37)	(378)
<b>Total liabilities</b>		<u>(352)</u>	<u>(472)</u>
<b>Net assets attributable to shareholders</b>		<u>19,164</u>	<u>12,361</u>

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2018

### 1. Accounting Policies

The accounting policies described on pages 19 to 21 have been applied to the financial statements of the Fund in the current year and prior period.

### 2. Distribution Policies

The distribution policies described on page 21 have been applied to the financial statements of the Fund in the current year and prior period.

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

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

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

	31 May 2018 £'000	For the period from 23 March 2017 to 31 May 2017 £'000
Non-derivative securities	(1,983)	147
Transaction charges	(1)	(1)
Currency (losses)/gains	(5)	34
Net capital (losses)/gains	(1,989)	180

### 4. Revenue

	31 May 2018 £'000	For the period from 23 March 2017 to 31 May 2017 £'000
Non-taxable dividends	799	103
Taxable dividends	44	–
Total revenue	843	103

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 5. Expenses

	31 May 2018 £'000	For the period from 23 March 2017 to 31 May 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	92	10
Rebate of Annual Management Charge	–	(16)
Legal and professional fees	10	8
Typesetting and printing costs	3	1
Registration fees	13	3
	118	6
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	1
Safe custody and other bank charges	6	–
	16	1
Other expenses:		
Audit fees	8	9
Other tax related services	–	2
Research costs	3	–
	11	11
Total expenses	145	18

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

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

#### 6. Taxation

	31 May 2018 £'000	For the period from 23 March 2017 to 31 May 2017 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	87	10
Current tax charge	87	10
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	87	10

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.17: 20%). The difference is explained below:

	31 May 2018 £'000	For the period from 23 March 2017 to 31 May 2017 £'000
Net revenue before taxation	698	85
Corporation tax at 20%	140	17
Effects of:		
Non-taxable dividends	(160)	(21)
Unutilised excess management expenses	20	4
Corporation tax charge	–	–
Overseas tax	87	10
Total tax charge (note 6a)	87	10

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £24,000 (31.05.17: £4,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current year or prior period.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

#### 7. Distributions

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

	31 May 2018 £'000	For the period from 23 March 2017 to 31 May 2017 £'000
Interim	405	–
Final	433	109
	<u>838</u>	<u>109</u>
Add: Revenue deducted on redemption of shares	24	–
Deduct: Revenue received on issue of shares	(109)	(16)
Net distributions for the year	<u>753</u>	<u>93</u>

Details of the distributions per share are set out in the table on pages 75 and 76.

	31 May 2018 £'000	For the period from 23 March 2017 to 31 May 2017 £'000
Distributions represented by:		
Net revenue after taxation	611	75
Allocations to capital:		
Expenses, net of tax relief	<u>142</u>	<u>18</u>
Net distributions for the year	<u>753</u>	<u>93</u>

#### 8. Debtors

	31 May 2018 £'000	31 May 2017 £'000
Amounts receivable for issue of shares	10	239
Accrued revenue:		
Non-taxable dividends	60	60

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
Amounts due from the Investment Manager:		
Refund of expenses	16	16
Taxation recoverable:		
Overseas withholding tax	8	1
Total debtors	94	316

### 9. Cash and Bank Balances

	31 May 2018 £'000	31 May 2017 £'000
Bank balances	424	240
Total cash and bank balances	424	240

### 10. Creditors

	31 May 2018 £'000	31 May 2017 £'000
Distribution payable	315	94
<b>Other Creditors</b>		
Amounts payable for redemption of shares	14	–
Purchases awaiting settlement	–	359
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	8	5
Legal and professional fees	2	2
Typesetting and printing costs	1	1
Registration fees	–	1
	11	9

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Transaction charges	–	1
Safe custody and other bank charges	2	–
	3	2
Other expenses	9	8
Total other creditors	37	378

### 11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 62 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 17,899 (31.05.17: 22,262) of the Fund's shares at the balance sheet date.

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

All Funds Nominee Limited	47.25% (31.05.17: 63.99%)
---------------------------	---------------------------

### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.17: none).



## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 13. Shares in Issue

	'B' Income	'B' Accumulation	'F' Income	'F' Accumulation
Annual Management Charge	0.75%	0.75%	0.50%	0.50%
Opening shares in issue	271,657	92,548	10,201,277	1,609,709
Issues	751,918	553,085	5,565,058	4,689,537
Redemptions	(51,809)	(258,581)	(1,523,660)	(1,141,143)
Closing shares in issue	<u>971,766</u>	<u>387,052</u>	<u>14,242,675</u>	<u>5,158,103</u>

### 14. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

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

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

#### (A) CREDIT RISK

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

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

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### (B) INTEREST RATE RISK

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

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

### (C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	31 May 2018 £'000	31 May 2017 £'000
Currency:		
Australian dollars	760	472
Canadian dollars	3,096	1,903
Euros	3,066	1,554
Hong Kong dollars	392	319
Japanese yen	475	361
Malaysian ringgit	217	95
Swiss francs	490	–
US dollars	9,316	5,729
	<u>17,812</u>	<u>10,433</u>
Pounds sterling	1,352	1,928
Net assets	<u>19,164</u>	<u>12,361</u>

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £891,000 on the net assets of the Fund (31.05.17: £522,000).

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### (D) LEVERAGE

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

### (E) LIQUIDITY RISK

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

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

All financial liabilities are payable in one year or less, or on demand.

### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement.

Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £950,000 (31.05.17: £614,000). A 5% decrease would have an equal and opposite effect.

### (G) DERIVATIVES

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

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

#### 15. Portfolio Transaction Costs

31 May 2018	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	12,252	10	5	12,267
Purchases total	12,252	10	5	12,267
<i>Transaction cost % of purchases total</i>		0.08%	0.04%	
<i>Transaction cost % of average NAV</i>		0.06%	0.03%	
Ordinary shares	3,558	(2)	—	3,556
Sales total	3,558	(2)	—	3,556
<i>Transaction cost % of sales total</i>		0.06%	—	
<i>Transaction cost % of average NAV</i>		0.01%	—	

Average portfolio dealing spread at 31.05.18 is 0.11% (31.05.17: 0.09%).

31 May 2017	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	12,144	7	8	12,159
Purchases total	12,144	7	8	12,159
<i>Transaction cost % of purchases total</i>		0.06%	0.07%	
<i>Transaction cost % of average NAV</i>		0.07%	0.08%	

There were no sales during the period.

## **LF MITON GLOBAL INFRASTRUCTURE INCOME FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

### **16. Fair Value Hierarchy**

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

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

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

**Level 3:** Valuation techniques using unobservable inputs.

All of the Fund's investments in the current and prior year are ordinary shares all categorised as Level 1.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND DISTRIBUTION TABLE

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

### EQUALISATION

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

Group 2	Interim	Final
From	1 June 2017	1 December 2017
To	30 November 2017	31 May 2018

### 'B' INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31 January 2018	Paid <sup>1</sup> 31 January 2017
Group 1	2.0304	–	2.0304	N/A
Group 2	1.1987	0.8317	2.0304	N/A

Final	Net Revenue	Equalisation	Payable 31 July 2018	Paid 31 July 2017
Group 1	2.0617	–	2.0617	0.8974
Group 2	1.5719	0.4898	2.0617	0.8974

### 'B' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31 January 2018	Allocated <sup>1</sup> 31 January 2017
Group 1	2.0479	–	2.0479	N/A
Group 2	1.3239	0.7240	2.0479	N/A

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	2.1225	–	2.1225	0.8951
Group 2	1.9793	0.1432	2.1225	0.8951

<sup>1</sup> Fund launched on 23 March 2017, therefore no comparative has been disclosed.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### DISTRIBUTION TABLE *continued*

#### 'F' INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31 January 2018	Paid <sup>1</sup> 31 January 2017
Group 1	2.0357	–	2.0357	N/A
Group 2	0.8166	1.2191	2.0357	N/A
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Payable 31 July 2018</b>	<b>Paid 31 July 2017</b>
Group 1	2.0681	–	2.0681	0.8952
Group 2	1.4854	0.5827	2.0681	0.8952

#### 'F' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31 January 2018	Allocated <sup>1</sup> 31 January 2017
Group 1	2.0522	–	2.0522	N/A
Group 2	1.0559	0.9963	2.0522	N/A
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31 July 2018</b>	<b>Allocated 31 July 2017</b>
Group 1	2.1289	–	2.1289	0.8945
Group 2	1.4615	0.6674	2.1289	0.8945

<sup>1</sup> Fund launched on 23 March 2017, therefore no comparative has been disclosed.

## **LF MITON UK MULTI CAP INCOME FUND ACD'S REPORT**

for the year ended 31 May 2018

### **Important Information**

Refer to the 'Important Information' section on pages 9 and 10.

### **Investment Objective and Policy**

The investment objective of LF Miton UK Multi Cap Income Fund ('the Fund') is to provide shareholders with an attractive level of dividends coupled with some capital growth over the long term.

The Fund will invest primarily in quoted UK companies with a long-term bias toward small and mid cap equities. The Fund may also invest in large cap companies, including FTSE 100 constituents, where it is believed that this may increase shareholder value. There will be no particular emphasis on any industrial or economic sector.

The Fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions for the purposes of Efficient Portfolio Management.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton UK Multi Cap Income Fund

*7 September 2018*



## **LF MITON UK MULTI CAP INCOME FUND INVESTMENT MANAGER'S REPORT**

**for the year ended 31 May 2018**

### **Introduction**

The principal focus of the Fund is to generate a meaningful and growing dividend for shareholders through investing in both larger and smaller quoted companies. Alongside this, the Fund seeks to limit stock specific risk, through investing via a longer list of modestly sized holdings across a wide universe of stocks.

Macro global factors continue to influence the FTSE 100, including the outlook for Sterling which has recovered during the year and is now a headwind for international companies reporting international earnings. Sentiment appears to be against investing in UK equities currently but the underlying UK economy has remained resilient in the face of Brexit and valuations overall are attractive.

Generally, the companies in the Fund have continued to trade well and retain the desire and ability to invest for future growth. This is a healthy dynamic that should enable the portfolio holdings to continue to take share, enter new markets and ultimately drive future dividend growth.

### **Portfolio**

During the 12 months, the best performing shares in the Fund came from a diverse range of sectors. The main positive contributors to the Fund in the year included Plus500, Zotefoams, K3 Capital Group, Burford Capital and IG Design. The Fund also benefited from takeover approaches for Novae and Quantum Pharma. The main negative contributors in the period included trading disappointments at Accrol, Pan African Resources and UP Global. The Fund holds a wide range of holdings to mitigate the specific impact of any particular stock weakness.

In the period, new holdings were added in Strix, Rosenblatt and Arena Events at IPO. Numerous secondary issues were also supported. The Fund also added to its resources exposure including stocks such as BHP Billiton and Savannah Petroleum. Consumer exposure was reduced through the sale of Greene King, Safestyle, ITV and Motorpoint.

The Fund was not set up to capitalise on a particular view about the strength of the UK economy. Uncertainty still exists about the outlook for the UK consumer and the Fund holdings in this sector remain low, especially those companies with bigger ticket exposure. The Fund has a wide range of stocks to select from including those with overseas exposure. The prospects for many holdings are, therefore, stock specific rather than linked to UK growth.

### **Performance**

The FTSE All Share Index rose 6.5%<sup>1</sup> in the 12 months to May 2018 on a total return basis. In the year to date the FTSE 100 Index has been exceptionally volatile on macro uncertainty including concerns about trade tariffs and increasing interest rates. At the end of May, the FTSE 100 Index was effectively flat over the 1st five months of 2018, but at one point was down nearly 10%.

In comparison, over the last 12 months, The FTSE SmallCap Index (excluding Investment Companies) is up 5.6%<sup>1</sup>. The FTSE AIM All Share Index was up 10.5%<sup>1</sup>, assisted, in particular, by larger growth stocks on expensive ratings.

## **LF MITON UK MULTI CAP INCOME FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Performance** *continued*

The Fund continues to hold a diverse range of mainly income producing investments. Given the wide differences between the Fund, its income peers and mainstream indices, the performance of the Fund by comparison is expected to vary markedly from time to time. In the period under review, the Fund total return, based on 'B' Institutional Accumulation shares, was at 6.2%<sup>1</sup>. The average total return for the IA UK Equity Income sector was 3.8%<sup>1</sup> in the 12 months.

Dividend growth for the full year was 5.7% compared to 12.7% in the previous year, reflecting in part the lower number of special dividends.

### **Current Market Trends and Outlook**

Over the last three decades many of the most popular funds sought to outperform the mainstream benchmarks. Generally, most narrowed their investment universe to larger companies to better meet this objective, hence institutional interest in smaller companies was limited.

Going forward, strategies with a wider opportunity set have the potential to access businesses with the greatest vibrancy irrespective of size. Specifically, it is the ability of the companies in which the Fund is invested to find more capex opportunities with attractive cash paybacks that will drive dividend growth and outperformance of these stocks in future.

**GERVAIS WILLIAMS & MARTIN TURNER**  
**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

20 June 2018

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<sup>1</sup> Source: FE Analytics. The Indices are used by the Investment Manager for comparison; no benchmark is required to be disclosed per the prospectus.

# LF MITON UK MULTI CAP INCOME FUND

## FUND INFORMATION

### Risk and Reward Profile



This indicator is an estimate of how much the fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

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

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

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

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

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

## LF MITON UK MULTI CAP INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	191.97	171.80	169.06
Return before operating charges*	12.43	30.70	12.45
Operating charges	(2.99)	(2.76)	(2.77)
Return after operating charges	9.44	27.94	9.68
Distributions	(8.15)	(7.77)	(6.94)
Closing net asset value per share	193.26	191.97	171.80
* after direct transaction costs of:	0.28	0.31	0.41

##### PERFORMANCE

Return after charges	4.92%	16.26%	5.73%
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##### OTHER INFORMATION

Closing net asset value (£'000)	13,090	13,069	12,510
Closing number of shares	6,773,202	6,807,768	7,281,480
Operating charges	1.56% <sup>1</sup>	1.56%	1.57%
Direct transaction costs	0.15%	0.18%	0.24%

##### PRICES

Highest share price	201.64	195.69	180.89
Lowest share price	185.10	157.20	170.32

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON UK MULTI CAP INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	246.06	210.98	199.58
Return before operating charges*	16.19	38.52	14.72
Operating charges	(3.89)	(3.44)	(3.32)
Return after operating charges	12.30	35.08	11.40
Distributions	(10.60)	(9.69)	(8.31)
Retained distributions on accumulation shares	10.60	9.69	8.31
Closing net asset value per share	258.36	246.06	210.98
* after direct transaction costs of:	0.37	0.39	0.50

##### PERFORMANCE

Return after charges	5.00%	16.63%	5.71%
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##### OTHER INFORMATION

Closing net asset value (£'000)	12,667	10,374	13,145
Closing number of shares	4,903,068	4,215,865	6,230,501
Operating charges	1.56% <sup>1</sup>	1.56%	1.57%
Direct transaction costs	0.15%	0.18%	0.24%

##### PRICES

Highest share price	265.11	247.13	216.05
Lowest share price	241.81	192.97	201.29

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON UK MULTI CAP INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	200.30	177.91	173.75
Return before operating charges*	13.05	31.95	12.82
Operating charges	(1.63)	(1.49)	(1.49)
Return after operating charges	11.42	30.46	11.33
Distributions	(8.54)	(8.07)	(7.17)
Closing net asset value per share	203.18	200.30	177.91
* after direct transaction costs of:	0.30	0.32	0.43

##### PERFORMANCE

Return after charges	5.70%	17.12%	6.52%
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##### OTHER INFORMATION

Closing net asset value (£'000)	809,688	635,715	490,865
Closing number of shares	398,515,342	317,385,430	275,913,541
Operating charges	0.81% <sup>1</sup>	0.81%	0.82%
Direct transaction costs	0.15%	0.18%	0.24%

##### PRICES

Highest share price	211.94	204.18	186.57
Lowest share price	194.26	162.89	175.27

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON UK MULTI CAP INCOME FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	255.89	217.78	204.48
Return before operating charges*	16.92	39.96	15.09
Operating charges	(2.11)	(1.85)	(1.79)
Return after operating charges	14.81	38.11	13.30
Distributions	(11.06)	(10.05)	(8.55)
Retained distributions on accumulation shares	11.06	10.05	8.55
Closing net asset value per share	270.70	255.89	217.78
* after direct transaction costs of:	0.39	0.40	0.51

##### PERFORMANCE

Return after charges	5.79%	17.50%	6.50%
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##### OTHER INFORMATION

Closing net asset value (£'000)	359,040	245,734	157,427
Closing number of shares	132,633,040	96,031,646	72,285,946
Operating charges	0.81% <sup>1</sup>	0.81%	0.82%
Direct transaction costs	0.15%	0.18%	0.24%

##### PRICES

Highest share price	277.72	257.01	222.20
Lowest share price	251.64	199.30	206.24

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

**LF MITON UK MULTI CAP INCOME FUND**  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2018 (%)**

	1 year	3 years	5 years
LF Miton UK Multi Cap Income Fund	5.45	29.46	80.62

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 110 to 112.

**RISK WARNING**

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



## LF MITON UK MULTI CAP INCOME FUND PORTFOLIO STATEMENT

as at 31 May 2018

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	CORPORATE BONDS – 0.92% (31.05.17 – 0.89%)		
£800,000	600 8% Loan Note 18/2/2020 <sup>2</sup>	800	0.07
£1,072,500	Active Energy Loan 8% 15/3/2022 <sup>2</sup>	1,269	0.11
£935,000	Aggregated Micro Power 8% 30/3/2021 <sup>2</sup>	1,260	0.10
£350,000	Gable 0% 30/9/2018 <sup>2</sup>	–	–
£3,100,000	Hurricane Energy 7.5% 24/7/2022	3,058	0.26
£678,870	SigmaRoc Convertible Loan Note 6% 4/1/2022 <sup>1</sup>	679	0.06
US\$3,000,000	Sirius Minerals Finance 8.5% 28/11/2023	3,468	0.29
£400,000	St Modwen Properties 6.25% 7/11/2019	420	0.03
	TOTAL CORPORATE BONDS	10,954	0.92
	OIL & GAS – 8.45% (31.05.17 – 1.16%)		
	OIL & GAS PRODUCERS – 8.45% (31.05.17 – 1.16%)		
2,273,679	BP	13,090	1.10
15,305,510	Diversified Gas & Oil	14,326	1.20
856,871	Eni	11,643	0.97
543,857	Equinor	10,739	0.90
11,511,670	Hurricane Energy <sup>1</sup>	5,199	0.44
6,319,207	Premier Oil	7,577	0.63
457,132	Royal Dutch Shell 'A'	11,917	1.00
147,589	Royal Dutch Shell 'B'	3,951	0.33
39,044,261	Savannah Petroleum	11,635	0.97
15,356,777	Savannah Petroleum Warrants <sup>2</sup>	–	–
237,612	Total	10,847	0.91
		100,924	8.45
	TOTAL OIL & GAS	100,924	8.45
	BASIC MATERIALS – 11.29% (31.05.17 – 5.08%)		
	CHEMICALS – 2.45% (31.05.17 – 2.09%)		
2,037,027	Treatt	9,554	0.80
3,493,162	Zotefoams	19,701	1.65
		29,255	2.45

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	FORESTRY & PAPER – 1.31% (31.05.17 – 0.31%)		
191,688	James Cropper <sup>1</sup>	2,607	0.22
624,344	Mondi	13,043	1.09
		<u>15,650</u>	<u>1.31</u>
	MINING – 7.53% (31.05.17 – 2.68%)		
461,633	Anglo American	8,297	0.69
7,306,845	Anglo Pacific	10,631	0.89
636,893	BHP Billiton	11,006	0.92
7,760,862	Centamin	9,988	0.84
3,307,396	Central Asia Metals <sup>1</sup>	9,459	0.79
7,478,711	Highland Gold Mining <sup>1</sup>	11,300	0.95
45,049,110	Pan African Resources <sup>1</sup>	3,334	0.28
548,697	Polyus GDRs	12,577	1.05
314,227	Rio Tinto	13,323	1.12
		<u>89,915</u>	<u>7.53</u>
	TOTAL BASIC MATERIALS	<u>134,820</u>	<u>11.29</u>
	INDUSTRIALS – 16.36% (31.05.17 – 17.17%)		
	CONSTRUCTION & MATERIALS – 2.63% (31.05.17 – 3.14%)		
2,589,725	Clarke (T)	2,181	0.18
1,896,838	Costain	8,640	0.73
981,592	Kier	10,395	0.87
3,815,425	Norcross	7,440	0.62
6,788,695	SigmaRoc <sup>1</sup>	2,756	0.23
		<u>31,412</u>	<u>2.63</u>
	ELECTRONIC & ELECTRICAL EQUIPMENT – 1.03% (31.05.17 – 0.00%)		
8,599,525	Strix <sup>1</sup>	12,297	1.03

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	GENERAL INDUSTRIALS – 3.28% (31.05.17 – 3.35%)		
7,460,604	Coral Products <sup>1</sup>	709	0.06
2,180,603	DS Smith	12,059	1.01
5,616,772	Macfarlane	5,898	0.49
963,736	RPC	7,609	0.64
420,149	Smurfit Kappa	12,949	1.08
		<u>39,224</u>	<u>3.28</u>
	INDUSTRIAL ENGINEERING – 0.51% (31.05.17 – 0.57%)		
4,000,000	600 Warrants	40	–
3,902,176	Flowtech Fluidpower <sup>1</sup>	6,048	0.51
		<u>6,088</u>	<u>0.51</u>
	INDUSTRIAL TRANSPORTATION – 2.13% (31.05.17 – 4.07%)		
5,859,845	Eddie Stobart Logistics <sup>1</sup>	8,204	0.69
7,811,922	Stobart	17,225	1.44
		<u>25,429</u>	<u>2.13</u>
	SUPPORT SERVICES – 6.78% (31.05.17 – 6.04%)		
3,801,062	Communis	2,395	0.20
4,829,995	Gateley <sup>1</sup>	8,404	0.71
6,099,889	Harvey Nash	6,130	0.51
57,728,586	Inspired Energy <sup>1</sup>	10,247	0.86
3,701,468	Johnson Service <sup>1</sup>	4,812	0.40
3,777,964	K3 Capital	11,712	0.98
803,656	PayPoint	7,988	0.67
9,385,933	Rosenblatt	12,202	1.02
5,244,542	SafeCharge International <sup>1</sup>	17,097	1.43
		<u>80,987</u>	<u>6.78</u>
	TOTAL INDUSTRIALS	<u>195,437</u>	<u>16.36</u>

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	CONSUMER GOODS – 7.26% (31.05.17 – 9.94%)		
	FOOD PRODUCERS – 3.47% (31.05.17 – 2.62%)		
370,454	Cranswick	12,492	1.04
2,161,032	Dairy Crest	10,688	0.89
24,909,988	DekelOil Public <sup>1</sup>	1,744	0.15
5,059,286	Finsbury Food <sup>1</sup>	6,324	0.53
1,124,059	Hilton Food	10,251	0.86
		41,499	3.47
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 2.55% (31.05.17 – 5.38%)		
8,120,492	Accrol <sup>1</sup>	1,868	0.16
2,490,069	Accrol <i>Placing</i>	373	0.03
738,226	Accrol <i>Rights</i> 6/6/2018	59	0.01
897,200	Galliford Try	8,631	0.72
2,674,279	IG Design <sup>1</sup>	11,847	0.99
5,940,303	McBride	7,568	0.63
89,104,545	McBride ' <i>B</i> ' preference shares	89	0.01
		30,435	2.55
	TOBACCO – 1.24% (31.05.17 – 1.94%)		
163,810	British American Tobacco	6,329	0.53
312,251	Imperial Brands	8,460	0.71
		14,789	1.24
	TOTAL CONSUMER GOODS	86,723	7.26
	HEALTH CARE – 0.90% (31.05.17 – 0.99%)		
	PHARMACEUTICALS & BIOTECHNOLOGY – 0.90% (31.05.17 – 0.99%)		
320,770	Bioventix <sup>1</sup>	8,436	0.70
445,269	ECO Animal Health <sup>1</sup>	2,396	0.20
	TOTAL HEALTH CARE	10,832	0.90

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	CONSUMER SERVICES – 12.24% (31.05.17 – 21.22%)		
	FOOD & DRUG RETAILERS – 2.89% (31.05.17 – 4.33%)		
4,037,972	J Sainsbury	12,853	1.07
4,007,955	McColl's Retail	9,218	0.77
5,088,521	Morrison (Wm.) Supermarkets	12,508	1.05
		<u>34,579</u>	<u>2.89</u>
	GENERAL RETAILERS – 1.40% (31.05.17 – 4.06%)		
1,367,412	Brown (N)	2,819	0.24
7,983,922	Game Digital	2,523	0.21
1,523,324	ScS	3,123	0.26
4,584,832	Shoe Zone <sup>1</sup>	8,253	0.69
		<u>16,718</u>	<u>1.40</u>
	MEDIA – 4.29% (31.05.17 – 6.40%)		
650,151	4imprint	11,378	0.95
3,668,689	Bloomsbury Publishing	8,585	0.72
4,789,789	Cello <sup>1</sup>	5,748	0.48
248,947	Haynes Publishing	567	0.05
9,097,026	Huntsworth	9,279	0.77
2,857,545	NAHL <sup>1</sup>	3,672	0.31
486,892	Sky	6,556	0.55
2,139,743	Wilmington	5,456	0.46
		<u>51,241</u>	<u>4.29</u>
	TRAVEL & LEISURE – 3.66% (31.05.17 – 6.43%)		
4,464,520	888	13,349	1.12
10,193,302	Arena Events	6,014	0.50
356,596	easyJet	6,094	0.51

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
5,366,907	Elegant Hotels <sup>1</sup>	4,508	0.38
375,509	Go-Ahead	6,312	0.53
2,295,762	Hostelworld	7,393	0.62
		43,670	3.66
	TOTAL CONSUMER SERVICES	146,208	12.24
	TELECOMMUNICATIONS – 3.24% (31.05.17 – 4.53%)		
	FIXED LINE TELECOMMUNICATIONS – 1.97% (31.05.17 – 2.86%)		
3,753,241	BT	7,688	0.64
9,080,427	KCOM	8,481	0.71
4,032,926	Manx Telecom <sup>1</sup>	7,421	0.62
		23,590	1.97
	MOBILE TELECOMMUNICATIONS – 1.27% (31.05.17 – 1.67%)		
143,445,000	Siminn	4,476	0.38
5,578,760	Vodafone	10,701	0.89
		15,177	1.27
	TOTAL TELECOMMUNICATIONS	38,767	3.24
	UTILITIES – 1.37% (31.05.17 – 0.96%)		
	ELECTRICITY – 0.38% (31.05.17 – 0.47%)		
966,062	Jersey Electricity	4,540	0.38
	GAS, WATER & MULTIUTILITIES – 0.99% (31.05.17 – 0.49%)		
1,416,031	National Grid	11,800	0.99
	TOTAL UTILITIES	16,340	1.37

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	FINANCIALS – 28.27% (31.05.17 – 27.90%)		
	BANKS – 2.92% (31.05.17 – 1.13%)		
2,723,843	Allied Irish Banks	11,183	0.94
1,459,876	HSBC	10,520	0.88
17,795,001	Lloyds Banking	11,248	0.94
100,019	Secure Trust Bank <sup>1</sup>	1,910	0.16
		<u>34,861</u>	<u>2.92</u>
	NON-LIFE INSURANCE – 8.53% (31.05.17 – 8.48%)		
587,934	Admiral	11,321	0.95
539,429	Beazley	3,220	0.27
3,199,413	Direct Line	11,415	0.95
5,136,082	eSure	11,947	1.00
3,922,322	Gable <sup>3</sup>	–	–
107,131	Hiscox	1,609	0.13
969,731	Lancashire	5,814	0.49
2,680,939	Personal <sup>1</sup>	12,547	1.05
8,301,250	Randall & Quilter Investment <sup>1</sup>	14,112	1.18
4,019,610	Sabre Insurance	10,009	0.84
49,816,472	Sjova-Almennar Tryggingar	5,610	0.47
22,024,971	Tryggingamidstodin	5,213	0.44
99,065,868	Vatryggingafelag Islands	9,102	0.76
		<u>101,919</u>	<u>8.53</u>
	LIFE INSURANCE – 4.10% (31.05.17 – 3.68%)		
2,290,045	Aviva	11,693	0.98
4,409,220	Hansard Global	2,734	0.23
4,437,667	Legal & General	11,973	1.00
1,571,029	Phoenix	12,175	1.02
576,125	Prudential	10,431	0.87
		<u>49,006</u>	<u>4.10</u>

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	REAL ESTATE INVESTMENT & SERVICES – 2.41% (31.05.17 – 3.22%)		
1,699,892	Belvoir Lettings <sup>1</sup>	1,751	0.15
3,847,611	Conygar <sup>1</sup>	6,272	0.52
2,008,398	Lok'nStore <sup>1</sup>	8,435	0.71
2,808,603	Palace Capital <sup>1</sup>	9,830	0.82
1,629,275	Property Franchise <sup>1</sup>	2,476	0.21
		<u>28,764</u>	<u>2.41</u>
	REAL ESTATE INVESTMENT TRUSTS – 2.15% (31.05.17 – 1.17%)		
2,514,801	Mucklow (A&J)	13,882	1.16
11,515,775	Supermarket Income REIT	11,746	0.99
		<u>25,628</u>	<u>2.15</u>
	FINANCIAL SERVICES – 5.64% (31.05.17 – 7.83%)		
379,690	Arbuthnot Banking <sup>1</sup>	5,695	0.48
6,211,325	Charles Taylor Consulting	18,385	1.54
646,006	Close Brothers	9,432	0.79
3,683,496	FairPoint <sup>3</sup>	–	–
2,792,391	FFI <sup>1</sup>	2,234	0.19
567,500	Jarvis Securities <sup>1</sup>	2,826	0.23
81,428,571	Merchant House <sup>3</sup>	–	–
13,288,343	Park <sup>1</sup>	10,365	0.87
479,225	Plus500 <sup>1</sup>	7,807	0.65
477,827	Shore Capital <sup>1</sup>	1,338	0.11
1,554,416	Tatton Asset Management <sup>1</sup>	3,358	0.28
617,273	Tetragon Financial	5,961	0.50
		<u>67,401</u>	<u>5.64</u>



## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	EQUITY INVESTMENT INSTRUMENTS – 2.52% (31.05.17 – 2.39%)		
787,895	Burford Capital <sup>1</sup>	12,527	1.05
4,512,359	Channel Islands Property	4,422	0.37
3,060,347	Juridica Investments <sup>1</sup>	266	0.02
8,687,377	Morses Club <sup>1</sup>	12,858	1.08
		<u>30,073</u>	<u>2.52</u>
	TOTAL FINANCIALS	<u>337,652</u>	<u>28.27</u>
	TECHNOLOGY – 4.02% (31.05.17 – 5.27%)		
	SOFTWARE & COMPUTER SERVICES – 0.39% (31.05.17 – 1.41%)		
12,215,586	Earthport <sup>1</sup>	1,039	0.09
15,940,079	Forbidden Technologies <sup>1</sup>	829	0.07
2,279,202	Sanderson <sup>1</sup>	2,393	0.20
3,345,979	TechFinancials <sup>1</sup>	418	0.03
		<u>4,679</u>	<u>0.39</u>
	TECHNOLOGY HARDWARE & EQUIPMENT – 3.63% (31.05.17 – 3.86%)		
6,900,899	Amino Technologies <sup>1</sup>	14,147	1.18
1,935,402	CML Microsystems	10,257	0.86
9,538,945	Concurrent Technologies <sup>1</sup>	7,631	0.64
2,513,135	IQE <sup>1</sup>	2,752	0.23
17,296,746	Kromek <sup>1</sup>	4,238	0.36
57,136,178	Seeing Machines	4,285	0.36
		<u>43,310</u>	<u>3.63</u>
	TOTAL TECHNOLOGY	<u>47,989</u>	<u>4.02</u>
	OPTIONS – 0.92% (31.05.17 – 0.29%)		
5,340	FTSE 100 Put 6,500 20/9/2019	11,027	0.92
	TOTAL OPTIONS	<u>11,027</u>	<u>0.92</u>

## LF MITON UK MULTI CAP INCOME FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	Portfolio of investments	1,137,673	95.24
	Net other assets	56,812	4.76
	Net assets	1,194,485	100.00

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

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

<sup>2</sup> Unlisted security.

<sup>3</sup> Delisted security.

*Definition:*

*GDRs – Global Depositary Receipts.*

## LF MITON UK MULTI CAP INCOME FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2018

Total purchases for the year £'000 (note 16)	411,372	Total sales for the year £'000 (note 16)	184,941
Major purchases	Cost £'000	Major sales	Proceeds £'000
Polyus <i>GDRs</i>	19,129	Conviviality Retail	12,356
Savannah Petroleum	13,292	Jupiter Fund Management	11,163
National Grid	13,157	IG Design	8,110
Mondi	12,122	Hiscox	7,643
Supermarket Income REIT	11,562	Novae	7,444
Diversified Gas & Oil	11,278	SQS Software Quality Systems	7,405
Eni	11,037	Provident Financial	7,397
Centamin	10,953	Greene King	7,369
Rio Tinto	10,781	Safestyle UK	7,282
HSBC	10,771	Beazley	7,056
Prudential	10,386	ITV	6,843
Cranswick	10,309	easyJet	6,750
BHP Billiton	10,245	Taylor Wimpey	6,559
Total	10,197	Royal Mail	5,577
Royal Dutch Shell 'A'	9,688	N Brown	5,560
Sabre Insurance	9,608	Moneysupermarket.com	5,538
Strix	9,485	CMC Markets	5,531
Equinor	9,268	Quartix	5,316
Rosenblatt	8,917	Plus500	5,135
Allied Irish Banks	8,766	Polyus <i>GDRs</i>	3,940

The summary of material changes represents the 20 largest purchases and sales during the year.

## LF MITON UK MULTI CAP INCOME FUND STATEMENT OF TOTAL RETURN

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
Income:					
Net capital gains	3		24,843		101,258
Revenue	4	44,455		34,012	
Expenses	5	(8,275)		(6,296)	
Interest payable and similar charges	7	(1)		(2)	
Net revenue before taxation		36,179		27,714	
Taxation	6	(684)		(192)	
Net revenue after taxation			35,495		27,522
<b>Total return before distributions</b>			60,338		128,780
Distributions	8		(43,372)		(33,581)
<b>Change in net assets attributable to shareholders from investment activities</b>			16,966		95,199

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 May 2018

	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
<b>Opening net assets attributable to shareholders</b>		904,892		673,947
Amounts receivable on issue of shares	328,710		201,305	
Amounts payable on redemption of shares	(69,273)		(75,277)	
		259,437		126,028
Change in net assets attributable to shareholders from investment activities		16,966		95,199
Retained distributions on Accumulation shares		13,190		9,718
<b>Closing net assets attributable to shareholders</b>		1,194,485		904,892

## LF MITON UK MULTI CAP INCOME FUND BALANCE SHEET

as at 31 May 2018

	Notes	31 May 2018 £'000	31 May 2017 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		1,137,673	863,267
<b>Current assets</b>			
Debtors	9	11,754	8,922
Cash and bank balances	10	62,930	44,814
<b>Total assets</b>		<u>1,212,357</u>	<u>917,003</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	10	(25)	–
Distribution payable	11	(13,806)	(9,695)
Other creditors	11	(4,041)	(2,416)
<b>Total liabilities</b>		<u>(17,872)</u>	<u>(12,111)</u>
<b>Net assets attributable to shareholders</b>		<u>1,194,485</u>	<u>904,892</u>

## LF MITON UK MULTI CAP INCOME FUND NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2018

### 1. Accounting Policies

The accounting policies described on pages 19 to 21 have been applied to the financial statements of the Fund in the current and prior year.

### 2. Distribution Policies

The distribution policies described on page 21 have been applied to the financial statements of the Fund in the current and prior year.

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

### 3. Net Capital Gains

The net capital gains during the year comprise:

	31 May 2018 £'000	31 May 2017 £'000
Non-derivative securities	39,116	120,473
Derivative contracts	(14,183)	(19,265)
Forward currency contracts	(29)	–
Transaction charges	(4)	(6)
Currency (losses)/gains	(57)	56
Net capital gains	24,843	101,258

### 4. Revenue

	31 May 2018 £'000	31 May 2017 £'000
Non-taxable dividends	41,657	32,436
Taxable dividends	1,382	469
UK property income distributions	606	559
Interest on debt securities	641	396
Underwriting commission	91	134
Bank interest	36	18
Non-taxable stock dividends	42	–
Total revenue	44,455	34,012

## LF MITON UK MULTI CAP INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 5. Expenses

	31 May 2018 £'000	31 May 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	7,713	5,864
Legal and professional fees	10	9
Typesetting and printing costs	3	6
Registration fees	311	259
	8,037	6,138
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	149	120
Safe custody and other bank charges	50	27
	199	147
Other expenses:		
Audit fees	8	8
Tax services	3	–
Legal and professional fees	3	3
Research costs	25	–
	39	11
Total expenses	8,275	6,296

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

## **LF MITON UK MULTI CAP INCOME FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

### **6. Taxation**

	31 May 2018 £'000	31 May 2017 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	684	192
Current tax charge	684	192
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	684	192

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.17: 20%). The difference is explained below:

	31 May 2018 £'000	31 May 2017 £'000
Net revenue before taxation	36,179	27,714
Corporation tax at 20%	7,236	5,543
Effects of:		
Non-taxable dividends	(8,340)	(6,487)
Foreign tax expensed	(50)	(15)
Unutilised excess management expenses	1,154	959
Corporation tax charge	–	–
Overseas tax	684	192
Total tax charge (note 6a)	684	192

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £3,991,000 (31.05.17: £2,837,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.



## LF MITON UK MULTI CAP INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 7. Interest Payable and Similar Charges

	31 May 2018 £'000	31 May 2017 £'000
Interest payable	1	2
Total interest payable and similar charges	1	2

### 8. Distributions

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

	31 May 2018 £'000	31 May 2017 £'000
First Interim	10,094	6,917
Second Interim	9,948	9,781
Third Interim	5,136	4,092
Final	19,930	13,466
	45,108	34,256
Add: Revenue deducted on redemption of shares	251	498
Deduct: Revenue received on issue of shares	(1,987)	(1,173)
Net distributions for the year	43,372	33,581

Details of the distributions per share are set out in the table on pages 110 to 112.

	31 May 2018 £'000	31 May 2017 £'000
Distributions represented by:		
Net revenue after taxation	35,495	27,522
Allocations to capital:		
Expenses, net of tax relief	7,877	6,059
Net distributions for the year	43,372	33,581

## LF MITON UK MULTI CAP INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 9. Debtors

	31 May 2018 £'000	31 May 2017 £'000
Amounts receivable for issue of shares	5,596	2,916
Sales awaiting settlement	620	2,264
Accrued revenue:		
Non-taxable dividends	4,323	3,316
Taxable dividends	880	333
Interest on debt securities	76	47
	5,279	3,696
Taxation recoverable:		
Overseas withholding tax	259	46
Total debtors	11,754	8,922

### 10. Cash and Bank Balances

	31 May 2018 £'000	31 May 2017 £'000
Bank balances	62,930	44,814
Total cash and bank balances	62,930	44,814
Bank overdraft	25	—
Total bank overdraft	25	—

### 11. Creditors

	31 May 2018 £'000	31 May 2017 £'000
Distribution payable	13,806	9,695

## **LF MITON UK MULTI CAP INCOME FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
<b>Other Creditors</b>		
Amounts payable for redemption of shares	2	114
Purchases awaiting settlement	3,184	1,663
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	781	585
Legal and professional fees	1	2
Typesetting and printing costs	1	3
Registration fees	31	9
	814	599
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	15	12
Transaction charges	2	1
Safe custody and other bank charges	16	5
	33	18
Other expenses	8	22
Total other creditors	<u>4,041</u>	<u>2,416</u>

### **12. Related Party Transactions**

Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the ACD'), registration fees payable to Link Fund Administrators Limited and typesetting and printing costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 97 and amounts due at the year end are disclosed in notes 9 and 11.

## LF MITON UK MULTI CAP INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 852,170 (31.05.17: 12,074,782) of the Fund's shares at the balance sheet date.

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.17: none).

### 14. Shares in Issue

	'A' Retail Income	'A' Retail Accumulation	'B' Institutional Income	'B' Institutional Accumulation
Annual Management Charge	1.50%	1.50%	0.75%	0.75%
Opening shares in issue	6,807,768	4,215,865	317,385,430	96,031,646
Issues	1,070,483	1,633,521	97,859,693	48,883,814
Redemptions	(597,351)	(746,418)	(17,281,209)	(12,423,296)
Conversions	(507,698)	(199,900)	551,428	140,876
Closing shares in issue	<u>6,773,202</u>	<u>4,903,068</u>	<u>398,515,342</u>	<u>132,633,040</u>

### 15. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

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

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

## **LF MITON UK MULTI CAP INCOME FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

### **(A) CREDIT RISK**

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

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

The bond investments held are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The ACD monitors the credit rating of bond holdings. All bonds in which the Fund invests are non-rated.

### **(B) INTEREST RATE RISK**

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

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

### **(C) FOREIGN CURRENCY RISK**

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

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

## **LF MITON UK MULTI CAP INCOME FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

The table below shows the direct foreign currency risk profile:

	31 May 2018 £'000	31 May 2017 £'000
Currency:		
Euros	33,965	218
Icelandic krona	24,401	12,855
Norwegian krone	10,854	–
US dollars	26,527	10,298
	<u>95,747</u>	<u>23,371</u>
Pounds sterling	1,098,738	881,521
Net assets	<u>1,194,485</u>	<u>904,892</u>

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £4,787,000 on the net assets of the Fund (31.05.17: £1,169,000).

### (D) LEVERAGE

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

### (E) LIQUIDITY RISK

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

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

All financial liabilities are payable in one year or less, or on demand.

### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

## **LF MITON UK MULTI CAP INCOME FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

A 5% increase in the value of the portfolio would have the effect of increasing the return and net assets by £56,884,000 (31.05.17: £43,163,000). A 5% decrease would have the equal and opposite effect.

### **(G) DERIVATIVES**

The derivatives held by the Fund during the current or prior year were for Efficient Portfolio Management (including hedging) purposes.

### **16. Portfolio Transaction Costs**

31 May 2018	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	406,328	284	1,015	407,627
Collective investment schemes	678	—	—	678
Debt securities	3,067	—	—	3,067
Purchases total	<u>410,073</u>	<u>284</u>	<u>1,015</u>	<u>411,372</u>
<i>Transaction cost % of purchases total</i>		<i>0.07%</i>	<i>0.25%</i>	
<i>Transaction cost % of average NAV</i>		<i>0.03%</i>	<i>0.10%</i>	
Ordinary shares	184,238	(187)	—	184,051
Debt securities	890	—	—	890
Sales total	<u>185,128</u>	<u>(187)</u>	<u>—</u>	<u>184,941</u>
<i>Transaction cost % of sales total</i>		<i>0.10%</i>	—	
<i>Transaction cost % of average NAV</i>		<i>0.02%</i>	—	

Average portfolio dealing spread at 31.05.18 is 1.22% (31.05.17: 1.15%).

## LF MITON UK MULTI CAP INCOME FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

31 May 2017	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	267,654	355	771	268,780
Debt securities	6,769	—	—	6,769
Purchases total	274,423	355	771	275,549
<i>Transaction cost % of purchases total</i>		0.13%	0.28%	
<i>Transaction cost % of average NAV</i>		0.05%	0.10%	
Ordinary shares	155,214	(207)	—	155,007
Debt securities	3,282	—	—	3,282
Sales total	158,496	(207)	—	158,289
<i>Transaction cost % of sales total</i>		0.13%	—	
<i>Transaction cost % of average NAV</i>		0.03%	—	

### 17. Fair Value Hierarchy

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

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

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

**Level 3:** Valuation techniques using unobservable inputs.

31 May 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	1,126,620	8,993	2,060	1,137,673
31 May 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	855,222	5,023	3,022	863,267



## LF MITON UK MULTI CAP INCOME FUND DISTRIBUTION TABLE

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

### EQUALISATION

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

Group 2	First Interim	Second Interim	Third Interim	Final
From	1 June 2017	1 September 2017	1 December 2017	1 March 2018
To	31 August 2017	30 November 2017	28 February 2018	31 May 2018

### 'A' RETAIL INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 31 October 2017	Paid 31 October 2016
Group 1	2.0391	–	2.0391	1.6782
Group 2	0.9529	1.0862	2.0391	1.6782
Second Interim	Net Revenue	Equalisation	Paid 31 January 2018	Paid 31 January 2017
Group 1	1.9360	–	1.9360	2.3108
Group 2	0.4772	1.4588	1.9360	2.3108
Third Interim	Net Revenue	Equalisation	Paid 30 April 2018	Paid 30 April 2017
Group 1	0.9249	–	0.9249	0.9076
Group 2	0.4272	0.4977	0.9249	0.9076
Final	Net Revenue	Equalisation	Payable 31 July 2018	Paid 31 July 2017
Group 1	3.2488	–	3.2488	2.8717
Group 2	1.6165	1.6323	3.2488	2.8717

## LF MITON UK MULTI CAP INCOME FUND DISTRIBUTION TABLE *continued*

### 'A' RETAIL ACCUMULATION SHARES

First Interim	Net Revenue	Equalisation	Allocated 31 October 2017	Allocated 31 October 2016
Group 1	2.6109	–	2.6109	2.0599
Group 2	1.1897	1.4212	2.6109	2.0599
Second Interim	Net Revenue	Equalisation	Allocated 31 January 2018	Allocated 31 January 2017
Group 1	2.5076	–	2.5076	2.8638
Group 2	1.3328	1.1748	2.5076	2.8638
Third Interim	Net Revenue	Equalisation	Allocated 30 April 2018	Allocated 30 April 2017
Group 1	1.2119	–	1.2119	1.1395
Group 2	0.6408	0.5711	1.2119	1.1395
Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	4.2662	–	4.2662	3.6266
Group 2	2.3662	1.9000	4.2662	3.6266

### 'B' INSTITUTIONAL INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 31 October 2017	Paid 31 October 2016
Group 1	2.1298	–	2.1298	1.7376
Group 2	1.1788	0.9510	2.1298	1.7376
Second Interim	Net Revenue	Equalisation	Paid 31 January 2018	Paid 31 January 2017
Group 1	2.0255	–	2.0255	2.3991
Group 2	0.8549	1.1706	2.0255	2.3991

## LF MITON UK MULTI CAP INCOME FUND

### DISTRIBUTION TABLE *continued*

Third Interim	Net Revenue	Equalisation	Paid 30 April 2018	Paid 30 April 2017
Group 1	0.9714	–	0.9714	0.9433
Group 2	0.4943	0.4771	0.9714	0.9433
Final	Net Revenue	Equalisation	Payable 31 July 2018	Paid 31 July 2017
Group 1	3.4090	–	3.4090	2.9931
Group 2	1.5272	1.8818	3.4090	2.9931

#### ‘B’ INSTITUTIONAL ACCUMULATION SHARES

First Interim	Net Revenue	Equalisation	Allocated 31 October 2017	Allocated 31 October 2016
Group 1	2.7181	–	2.7181	2.1422
Group 2	1.2038	1.5143	2.7181	2.1422
Second Interim	Net Revenue	Equalisation	Allocated 31 January 2018	Allocated 31 January 2017
Group 1	2.6152	–	2.6152	2.9631
Group 2	1.0119	1.6033	2.6152	2.9631
Third Interim	Net Revenue	Equalisation	Allocated 30 April 2018	Allocated 30 April 2017
Group 1	1.2675	–	1.2675	1.1807
Group 2	0.6675	0.6000	1.2675	1.1807
Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	4.4601	–	4.4601	3.7677
Group 2	2.3145	2.1456	4.4601	3.7677

## **LF MITON UK SMALLER COMPANIES FUND ACD'S REPORT**

for the year ended 31 May 2018

### **Important Information**

Refer to the 'Important Information' section on pages 9 and 10.

### **Investment Objective and Policy**

The LF Miton UK Smaller Companies Fund ('the Fund') aims to achieve long-term total returns by investing primarily in UK quoted smaller companies.

The Fund considers UK quoted smaller companies to be those companies that: are incorporated in the UK and/or have most of their operations in the UK; are listed on a stock exchange; and have a relatively low market capitalisation.

The Fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and use derivatives and forward transactions for the purposes of Efficient Portfolio Management.

There is no guarantee that a positive return will be delivered.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton UK Smaller Companies Fund

*7 September 2018*

## **LF MITON UK SMALLER COMPANIES FUND INVESTMENT MANAGER'S REPORT**

**for the year ended 31 May 2018**

### **Introduction**

The Fund invests in genuine smaller UK quoted companies which the Managers believe have the best prospects for sustained growth and future dividends.

Macro global factors continue to influence the FTSE 100, including the outlook for Sterling which has recovered during the year and is now a headwind for international companies reporting international earnings. Sentiment appears to be against investing in UK equities currently but the underlying UK economy has remained resilient in the face of Brexit and valuations overall are attractive.

Smaller companies have generally continued to trade well and retain the desire and ability to invest for future growth. This is a healthy dynamic that should enable smaller companies to continue to take share and enter new markets, often seeking fresh equity to finance expansion.

### **Portfolio**

The stance of the portfolio remains unchanged.

1. Focus on genuine smaller companies.
2. Scope to add value through stock picking. Larger companies are well researched and therefore stock picking is highly competitive. Smaller companies by their nature are less researched, and so there is greater scope for active managers to add value through stock picking.

During the 12 months, the best performing shares in the Fund came from a diverse range of end markets. The main positive contributors to the Fund in the year included Versarien, Yu Group, Zotefoams, Kape Technologies and IQE. The main disappointments in the period included trading disappointments at Pantheon Resources and Augean (both now sold), WYG, Ethernity Networks and Utilitywise.

In the 12 months, new holdings were added in Alpha Financial Markets Consulting and Team17 at IPO and SiS Science in Sport and 7Digital through secondary fund raisings. Resource exposure was added to through the purchase of i3 Energy, Reabold Resources and Premier Oil. Consumer exposure was reduced through the sale of French Connection, STV and S&U.

The Fund was not set up to capitalise on a particular view about the strength of the UK economy. Uncertainty still exists about the outlook for the UK consumer and the Fund holdings in this sector remain low, especially those companies with bigger ticket exposure. The Fund has a wide range of stocks to select from including those with overseas exposure. The prospects for many holdings are, therefore, stock specific rather than linked to UK growth.

### **Performance Over the Last Year**

The FTSE All Share Index rose 6.5%<sup>1</sup> in the 12 months to May 2018 on a total return basis. In the year to date the FTSE 100 Index has been exceptionally volatile on macro uncertainty including concerns about trade tariffs and increasing interest rates. At the end of May the FTSE 100 Index was effectively flat over the 1st 5 months of 2018, but at one point was down over 10%.

## LF MITON UK SMALLER COMPANIES FUND INVESTMENT MANAGER'S REPORT *continued*

### Performance Over the Last Year *continued*

In comparison, over the last 12 months, The FTSE SmallCap Index (excluding Investment Companies) is up 5.6%<sup>1</sup>. The FTSE AIM All Share Index was up 10.5%<sup>1</sup>, assisted, in particular, by larger growth stocks on expensive ratings. The average total return for the IA UK Smaller Companies sector was 13.1%<sup>1</sup>, in the period.

Given the focus of the Fund on genuine smaller companies and the wide differences between the Fund, its Smaller Company peers and mainstream indices, the performance of the Fund by comparison is expected to vary markedly from time to time. In the period under review, the total return of the Fund was 14.9%. The Fund was ranked 16th out of 47 funds in the last 12 months.

### Current Market Trends and Outlook

Over the last three decades many of the most popular funds sought to outperform the mainstream benchmarks. Generally, most narrowed their investment universe to mid and larger companies to better meet this objective, hence institutional interest in small and micro caps was limited. It was noteworthy that small and micro stocks showed a degree of resilience during February when equity markets became more volatile.

Interestingly this renewed interest in smaller companies occurred alongside a period when monetary conditions are being tightened. The EU has commenced a scaling back of its policy of Quantitative Easing ('QE'), whilst the US is progressively increasing interest rates and has initiated Quantitative Tightening, a reversal of QE. Their combined effect has reduced financial liquidity within the international exchanges, and led to extra market volatility.

The change in market attitude implies that a growing number of investors are now favouring the vibrant and agile, over those within mainstream benchmarks. Importantly, this new preference resembles the pattern that existed prior to globalisation, and contrasts with that of the last three decades. Whilst the change may still be nascent, it is something that adds to the Managers' conviction that the Fund remains well-placed to deliver premium returns going forward.

**GERVAIS WILLIAMS & MARTIN TURNER**  
**MITON ASSET MANAGEMENT LIMITED**

Investment Manager  
20 June 2018

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<sup>1</sup> Source: FE Analytics. The Indices are used by the Investment Manager for comparison; no benchmark is required to be disclosed per the prospectus.

## LF MITON UK SMALLER COMPANIES FUND

### FUND INFORMATION

#### Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

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

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

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

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

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

## LF MITON UK SMALLER COMPANIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	214.18	179.01	171.84
Return before operating charges*	32.67	38.31	10.10
Operating charges	(3.65)	(3.11)	(2.93)
Return after operating charges	29.02	35.20	7.17
Distributions	–	(0.03)	–
Closing net asset value per share	243.20	214.18	179.01
* after direct transaction costs of:	0.21	0.18	0.16

##### PERFORMANCE

Return after charges	13.55%	19.66%	4.17%
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##### OTHER INFORMATION

Closing net asset value (£'000)	210	179	200
Closing number of shares	86,465	83,680	111,553
Operating charges	1.61% <sup>1</sup>	1.61%	1.62%
Direct transaction costs	0.09%	0.09%	0.09%

##### PRICES

Highest share price	250.72	217.85	187.53
Lowest share price	210.14	162.96	172.43

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.



## LF MITON UK SMALLER COMPANIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	214.59	179.31	172.09
Return before operating charges*	32.72	38.39	10.16
Operating charges	(3.66)	(3.11)	(2.94)
Return after operating charges	29.06	35.28	7.22
Distributions	–	(0.03)	–
Retained distributions on accumulation shares	–	0.03	–
Closing net asset value per share	243.65	214.59	179.31
* after direct transaction costs of:	0.21	0.18	0.16

##### PERFORMANCE

Return after charges	13.54%	19.68%	4.20%
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##### OTHER INFORMATION

Closing net asset value (£'000)	4,142	4,108	4,011
Closing number of shares	1,700,222	1,914,328	2,236,912
Operating charges	1.61% <sup>1</sup>	1.61%	1.62%
Direct transaction costs	0.09%	0.09%	0.09%

##### PRICES

Highest share price	251.19	218.22	187.84
Lowest share price	210.54	163.23	172.72

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON UK SMALLER COMPANIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	216.96	181.18	173.82
Return before operating charges*	33.24	38.98	10.29
Operating charges	(1.98)	(1.69)	(1.61)
Return after operating charges	31.26	37.29	8.68
Distributions	(1.20)	(1.51)	(1.32)
Closing net asset value per share	247.02	216.96	181.18
* after direct transaction costs of:	0.21	0.18	0.16

##### PERFORMANCE

Return after charges	14.41%	20.58%	4.99%
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##### OTHER INFORMATION

Closing net asset value (£'000)	68,551	43,918	37,444
Closing number of shares	27,750,597	20,242,241	20,667,591
Operating charges	0.86% <sup>1</sup>	0.86%	0.87%
Direct transaction costs	0.09%	0.09%	0.09%

##### PRICES

Highest share price	255.84	222.14	190.76
Lowest share price	212.92	165.08	175.40

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON UK SMALLER COMPANIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	221.81	183.97	175.25
Return before operating charges*	33.97	39.55	10.34
Operating charges	(2.03)	(1.71)	(1.62)
Return after operating charges	31.94	37.84	8.72
Distributions	(1.23)	(1.53)	(1.33)
Retained distributions on accumulation shares	1.23	1.53	1.33
Closing net asset value per share	253.75	221.81	183.97
* after direct transaction costs of:	0.22	0.18	0.16

##### PERFORMANCE

Return after charges	14.40%	20.57%	4.98%
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##### OTHER INFORMATION

Closing net asset value (£'000)	116,887	149,091	111,697
Closing number of shares	46,064,215	67,214,536	60,715,636
Operating charges	0.86% <sup>1</sup>	0.86%	0.87%
Direct transaction costs	0.09%	0.09%	0.09%

##### PRICES

Highest share price	261.53	225.55	192.30
Lowest share price	217.67	167.60	176.82

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

**LF MITON UK SMALLER COMPANIES FUND**  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2018 (%)**

	1 year	3 years	5 years
LF Miton UK Smaller Companies Fund	14.05	41.54	123.03

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

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

Details of the distributions per share for the year are shown in the Distribution Table on page 143.

**RISK WARNING**

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

## LF MITON UK SMALLER COMPANIES FUND PORTFOLIO STATEMENT

as at 31 May 2018

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	UNITED KINGDOM – 84.24% (31.05.17 – 89.03%)		
	OIL & GAS – 6.01% (31.05.17 – 4.25%)		
	OIL & GAS PRODUCERS – 5.77% (31.05.17 – 4.07%)		
4,750,000	Anglo African Oil & Gas <sup>1</sup>	442	0.23
2,254,687	Eland Oil & Gas <sup>1</sup>	2,413	1.27
309,558	Gulf Keystone Petroleum	591	0.31
3,800,000	Hurricane Energy <sup>1</sup>	1,716	0.90
1,215,925	I3 Energy <sup>1</sup>	1,338	0.71
2,068,558	Premier Oil	2,480	1.31
5,573,457	President Energy <sup>1</sup>	529	0.28
6,441,730	Trinity Exploration and Production	1,449	0.76
		<u>10,958</u>	<u>5.77</u>
	ALTERNATIVE ENERGY – 0.24% (31.05.17 – 0.18%)		
11,939,313	Active Energy <sup>1</sup>	454	0.24
	TOTAL OIL & GAS	<u>11,412</u>	<u>6.01</u>
	BASIC MATERIALS – 9.31% (31.05.17 – 4.50%)		
	CHEMICALS – 5.73% (31.05.17 – 3.07%)		
3,523,134	Versarien <sup>1</sup>	2,995	1.58
1,396,590	Zotefoams	7,877	4.15
		<u>10,872</u>	<u>5.73</u>
	FORESTRY & PAPER – 0.86% (31.05.17 – 0.98%)		
120,000	James Cropper <sup>1</sup>	1,632	0.86
	MINING – 2.72% (31.05.17 – 0.45%)		
20,361,049	AfriTin Mining <sup>1</sup>	570	0.30
25,000	Caledonia Mining <sup>1</sup>	166	0.09
2,000,000	Cradle Arc <sup>1</sup>	170	0.09
9,260,544	Fox Marble <sup>1</sup>	787	0.41

## LF MITON UK SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
34,038,851	Jubilee Metals <sup>1</sup>	902	0.47
3,857,142	Rainbow Rare Earths	733	0.38
10,690,286	Shanta Gold	599	0.32
2,631,244	Sosandar	447	0.24
704,123	Tharisa	789	0.42
		<u>5,163</u>	<u>2.72</u>
	TOTAL BASIC MATERIALS	<u>17,667</u>	<u>9.31</u>
	INDUSTRIALS – 11.96% (31.05.17 – 18.73%)		
	CONSTRUCTION & MATERIALS – 1.75% (31.05.17 – 2.56%)		
929,193	Michelmersh Brick <sup>1</sup>	873	0.46
2,720,443	Van Elle <sup>1</sup>	2,448	1.29
		<u>3,321</u>	<u>1.75</u>
	ELECTRONIC & ELECTRICAL EQUIPMENT – 0.59% (31.05.17 – 0.00%)		
1,432,903	Volet <sup>1</sup>	1,121	0.59
	INDUSTRIAL ENGINEERING – 0.77% (31.05.17 – 0.83%)		
19,849,654	TP <sup>1</sup>	1,469	0.77
	INDUSTRIAL TRANSPORTATION – 0.91% (31.05.17 – 2.70%)		
882,168	Eddie Stobart Logistics <sup>1</sup>	1,235	0.65
20,525,323	Mercantile Ports & Logistics <sup>1</sup>	493	0.26
		<u>1,728</u>	<u>0.91</u>
	SUPPORT SERVICES – 7.94% (31.05.17 – 12.64%)		
900,000	Alpha Financial Markets Consulting <sup>1</sup>	1,656	0.87
3,787,043	Billby <sup>1</sup>	3,863	2.04
1,500,000	Frontier <sup>1</sup>	1,237	0.65
3,527,013	Hydrogen <sup>1</sup>	1,129	0.59

## LF MITON UK SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
35,359,618	Newmark Security <sup>1</sup>	265	0.14
1,057,452	SafeCharge International <sup>1</sup>	3,447	1.82
1,579,218	Utilitywise <sup>1</sup>	561	0.29
8,787,500	Wey Education <sup>1</sup>	1,494	0.79
3,383,861	WYG <sup>1</sup>	1,421	0.75
		<u>15,073</u>	<u>7.94</u>
	TOTAL INDUSTRIALS	<u>22,712</u>	<u>11.96</u>
	CONSUMER GOODS – 3.49% (31.05.17 – 7.28%)		
	AUTOMOBILES & PARTS – 0.92% (31.05.17 – 1.49%)		
2,181,863	Autins <sup>1</sup>	<u>1,745</u>	<u>0.92</u>
	FOOD PRODUCERS – 1.23% (31.05.17 – 0.69%)		
2,100,000	SiS Science in Sport <sup>1</sup>	1,701	0.90
5,958,649	Zambeef Products <sup>1</sup>	<u>626</u>	<u>0.33</u>
		<u>2,327</u>	<u>1.23</u>
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 1.06% (31.05.17 – 4.72%)		
455,477	IG Design <sup>1</sup>	<u>2,018</u>	<u>1.06</u>
	PERSONAL GOODS – 0.28% (31.05.17 – 0.38%)		
460,529	Innovaderma	<u>525</u>	<u>0.28</u>
	TOTAL CONSUMER GOODS	<u>6,615</u>	<u>3.49</u>
	HEALTH CARE – 3.28% (31.05.17 – 3.66%)		
	HEALTH CARE EQUIPMENT & SERVICES – 0.93% (31.05.17 – 1.16%)		
2,160,669	Inspiration Healthcare <sup>1</sup>	1,296	0.68
2,148,473	Totally <sup>1</sup>	<u>473</u>	<u>0.25</u>
		<u>1,769</u>	<u>0.93</u>

## LF MITON UK SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	PHARMACEUTICALS & BIOTECHNOLOGY – 2.35% (31.05.17 – 2.50%)		
495,700	Anpario <sup>1</sup>	2,379	1.25
79,000	Bioventix <sup>1</sup>	2,078	1.10
		4,457	2.35
	TOTAL HEALTH CARE	6,226	3.28
	CONSUMER SERVICES – 6.03% (31.05.17 – 11.94%)		
	GENERAL RETAILERS – 1.13% (31.05.17 – 2.29%)		
6,780,709	Game Digital	2,143	1.13
	MEDIA – 1.65% (31.05.17 – 4.88%)		
22,000,000	7digital <sup>1</sup>	902	0.48
806,452	Mirriad Advertising <sup>1</sup>	274	0.14
3,200,000	Phorm <sup>2</sup>	–	–
1,201,227	XLMedia <sup>1</sup>	1,946	1.03
		3,122	1.65
	TRAVEL & LEISURE – 3.25% (31.05.17 – 4.77%)		
806,203	888	2,411	1.27
2,192,419	Safestay <sup>1</sup>	1,074	0.57
1,054,411	Stride Gaming <sup>1</sup>	1,561	0.82
496,198	Team17 <sup>1</sup>	1,116	0.59
		6,162	3.25
	TOTAL CONSUMER SERVICES	11,427	6.03
	TELECOMMUNICATIONS – 0.00% (31.05.17 – 0.31%)		
	FIXED LINE TELECOMMUNICATIONS – 0.00% (31.05.17 – 0.31%)	–	–



## LF MITON UK SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	UTILITIES – 5.05% (31.05.17 – 1.70%)		
	ELECTRICITY – 0.00% (31.05.17 – 0.10%)	–	–
	GAS, WATER & MULTIUTILITIES – 5.05% (31.05.17 – 1.60%)		
3,660,042	Fulcrum Utility Services <sup>1</sup>	2,503	1.32
769,043	Yu <sup>1</sup>	7,075	3.73
	TOTAL UTILITIES	9,578	5.05
	FINANCIALS – 12.89% (31.05.17 – 15.65%)		
	BANKS – 0.00% (31.05.17 – 1.21%)	–	–
	NON-LIFE INSURANCE – 0.00% (31.05.17 – 0.00%)		
3,538,498	Gable <sup>2</sup>	–	–
	REAL ESTATE INVESTMENT & SERVICES – 2.41% (31.05.17 – 3.51%)		
2,801,893	Conygar <sup>1</sup>	4,567	2.41
2,150,000	Mar City <sup>3</sup>	–	–
		4,567	2.41
	REAL ESTATE INVESTMENT TRUSTS – 0.00% (31.05.17 – 0.02%)	–	–
	FINANCIAL SERVICES – 8.66% (31.05.17 – 8.73%)		
72,995	Arbuthnot Banking	1,095	0.58
25,000	Camellia	3,112	1.64
3,147,952	Coats	2,540	1.34
1,422,242	FairFX <sup>1</sup>	1,323	0.70
2,660,000	FairPoint <sup>2</sup>	–	–
2,600,000	Marwyn Management <sup>2</sup>	–	–
166,666,666	Reabold Resources <sup>1</sup>	1,167	0.61

## LF MITON UK SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
382,871	S4 Capital	383	0.20
2,600,000	Share <sup>1</sup>	663	0.35
471,252	Shore Capital <sup>1</sup>	1,319	0.69
8,350,000	STM <sup>1</sup>	4,843	2.55
		<u>16,445</u>	<u>8.66</u>
	EQUITY INVESTMENT INSTRUMENTS – 1.82% (31.05.17 – 2.18%)		
166,368	Burford Capital <sup>1</sup>	2,645	1.39
571,316	KRM22 <sup>1</sup>	814	0.43
		<u>3,459</u>	<u>1.82</u>
	TOTAL FINANCIALS	<u>24,471</u>	<u>12.89</u>
	TECHNOLOGY – 26.22% (31.05.17 – 21.01%)		
	SOFTWARE & COMPUTER SERVICES – 15.53% (31.05.17 – 11.31%)		
489,399	Actual Experience	1,297	0.68
3,197,618	CentralNic <sup>1</sup>	1,855	0.98
3,916,988	Cerillion <sup>1</sup>	5,836	3.07
982,155	Cloudcall <sup>1</sup>	1,670	0.88
32,405,554	Corero Network	3,079	1.62
6,484,784	Earthport <sup>1</sup>	551	0.29
3,468,517	Forbidden Technologies <sup>1</sup>	180	0.09
2,729,352	Ideagen <sup>1</sup>	3,466	1.83
1,349,650	Ingenta <sup>1</sup>	1,863	0.98
6,564,149	Kape Technologies <sup>1</sup>	7,352	3.87
1,138,250	PROACTIS <sup>1</sup>	1,343	0.71
14,966,955	Rosslyn Data Technologies <sup>1</sup>	674	0.36
4,555,556	Vipera <sup>1</sup>	319	0.17
		<u>29,485</u>	<u>15.53</u>

## LF MITON UK SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	TECHNOLOGY HARDWARE & EQUIPMENT – 10.69% (31.05.17 – 9.70%)		
1,085,513	Amino Technologies <sup>1</sup>	2,225	1.17
4,000,000	BATM Advanced Communications	1,068	0.56
631,349	CML Microsystems	3,346	1.76
2,222,196	Ethernity Networks	1,222	0.65
1,543,193	IQE <sup>1</sup>	1,690	0.89
14,941,969	Kromek <sup>1</sup>	3,661	1.93
9,276,157	Nanoco	4,221	2.23
2,151,616	Pure Wafer <sup>3</sup>	129	0.07
36,223,921	Seeing Machines <sup>1</sup>	2,717	1.43
		<u>20,279</u>	<u>10.69</u>
	TOTAL TECHNOLOGY	<u>49,764</u>	<u>26.22</u>
	TOTAL UNITED KINGDOM	<u>159,872</u>	<u>84.24</u>
	CONTINENTAL EUROPE – 3.87% (31.05.17 – 3.24%)		
1,973,320	Hagar	652	0.34
4,402,408	Norish <sup>1</sup>	3,434	1.81
35,000	Normandy <sup>3</sup>	2	–
4,586,637	Reginn	730	0.39
1,003,291	Reitir fasteignafelag	606	0.32
30,235,000	Siminn	943	0.49
4,178,465	Tryggingamidstodin	989	0.52
	TOTAL CONTINENTAL EUROPE	<u>7,356</u>	<u>3.87</u>
	ASIA PACIFIC – 1.88% (31.05.17 – 2.81%)		
7,481,255	Atlantis Resources <sup>1</sup>	2,693	1.42
51,056,795	Bagir <sup>1</sup>	868	0.46
	TOTAL ASIA PACIFIC	<u>3,561</u>	<u>1.88</u>
	NORTH AMERICA – 1.44% (31.05.17 – 0.40%)		
965,883	Avesoro Resources <sup>1</sup>	2,415	1.27
507,050	SDX Energy	319	0.17
	TOTAL NORTH AMERICA	<u>2,734</u>	<u>1.44</u>

**LF MITON UK SMALLER COMPANIES FUND**  
**PORTFOLIO STATEMENT** *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	Portfolio of investments	173,523	91.43
	Net other assets	16,267	8.57
	Net assets	189,790	100.00

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

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

<sup>2</sup> Unlisted security.

<sup>3</sup> Delisted security.

## LF MITON UK SMALLER COMPANIES FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2018

Total purchases for the year £'000 (note 15)	41,851	Total sales for the year £'000 (note 15)	80,212
Major purchases	Cost £'000	Major sales	Proceeds £'000
Avesoro Resources	3,670	IQE	7,414
Ethernity Networks	2,788	IG Design	6,279
Camellia	2,606	Versarien	5,517
Game Digital	2,378	SQS Software Quality Systems	3,244
Premier Oil	2,057	STV	3,189
QUIZ	1,719	Burford Capital	3,112
Earthport	1,697	Fulcrum Utility Services	2,964
Eland Oil & Gas	1,569	Shawbrook	2,364
SiS Science in Sport	1,470	Marlowe	2,267
Alpha Financial Markets Consulting	1,440	QUIZ	2,053
FairFX	1,340	Hostelworld	1,991
TP	1,290	Flowtech Fluidpower	1,981
Nanoco	1,235	Costain	1,913
Jubilee Metals	1,225	Augean	1,757
Corero Network	1,199	Wincanton	1,665
Pantheon Resources	1,150	Coats	1,612
Reabold Resources	1,000	James Latham	1,451
Van Elle	953	S&U	1,376
Volex	911	Pantheon Resources	1,284
7digital	887	K3 Business Technology	1,203

The summary of material portfolio changes represents the 20 largest purchases and sales during the year.

## LF MITON UK SMALLER COMPANIES FUND STATEMENT OF TOTAL RETURN

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
Income:					
Net capital gains	3		23,538		29,728
Revenue	4	2,597		2,697	
Expenses	5	(1,618)		(1,448)	
Net revenue before taxation		979		1,249	
Taxation	6	(36)		(8)	
Net revenue after taxation			943		1,241
<b>Total return before distributions</b>			24,481		30,969
Distributions	7		(954)		(1,241)
<b>Change in net assets attributable to shareholders from investment activities</b>			23,527		29,728

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 May 2018

	Note	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
<b>Opening net assets attributable to shareholders</b>			197,296		153,352
Amounts receivable on issue of shares		25,475		46,348	
Amounts payable on redemption of shares		(57,074)		(33,179)	
			(31,599)		13,169
Dilution levy	1(H)		–		16
Change in net assets attributable to shareholders from investment activities			23,527		29,728
Retained distributions on Accumulation shares			566		1,031
<b>Closing net assets attributable to shareholders</b>			189,790		197,296

## LF MITON UK SMALLER COMPANIES FUND BALANCE SHEET

as at 31 May 2018

	Notes	31 May 2018 £'000	31 May 2017 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		173,523	188,379
<b>Current assets</b>			
Debtors	8	1,034	410
Cash and bank balances	9	16,753	11,858
<b>Total assets</b>		<u>191,310</u>	<u>200,647</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Distribution payable	10	(334)	(305)
Other creditors	10	(1,186)	(3,046)
<b>Total liabilities</b>		<u>(1,520)</u>	<u>(3,351)</u>
<b>Net assets attributable to shareholders</b>		<u>189,790</u>	<u>197,296</u>

## LF MITON UK SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2018

### 1. Accounting Policies

The accounting policies described on pages 19 to 21 have been applied to the financial statements of the Fund in the current and prior year.

### 2. Distribution Policies

The distribution policies described on page 21 have been applied to the financial statements of the Fund in the current and prior year.

### 3. Net Capital Gains

The net capital gains during the year comprise:

	31 May 2018 £'000	31 May 2017 £'000
Non-derivative securities	23,541	29,696
Transaction charges	(3)	(2)
Currency gains	—	34
Net capital gains	<u>23,538</u>	<u>29,728</u>

### 4. Revenue

	31 May 2018 £'000	31 May 2017 £'000
Non-taxable dividends	2,591	2,689
UK property income distributions	—	1
Underwriting commission	—	2
Bank interest	6	5
Total revenue	<u>2,597</u>	<u>2,697</u>



## LF MITON UK SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 5. Expenses

	31 May 2018 £'000	31 May 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,421	1,266
Legal and professional fees	9	10
Typesetting and printing costs	3	6
Registration fees	103	99
	1,536	1,381
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	51	48
Safe custody and other bank charges	13	11
	64	59
Other expenses:		
Audit fees	8	8
Research costs	10	–
	18	8
Total expenses	1,618	1,448

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

### 6. Taxation

	31 May 2018 £'000	31 May 2017 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	36	8
Current tax charge	36	8
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	36	8

## **LF MITON UK SMALLER COMPANIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.17: 20%). The difference is explained below:

	31 May 2018 £'000	31 May 2017 £'000
Net revenue before taxation	979	1,249
Corporation tax at 20%	196	250
Effects of:		
Non-taxable dividends	(518)	(538)
Unutilised excess management expenses	322	288
Corporation tax charge	—	—
Overseas tax	36	8
Total tax charge (note 6a)	36	8

c) Deferred tax

At the year end there is a potential deferred tax asset of £1,248,000 (31.05.17: £926,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## **7. Distributions**

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

	31 May 2018 £'000	31 May 2017 £'000
Final	899	1,336
Add: Revenue deducted on redemption of shares	108	111
Deduct: Revenue received on issue of shares	(53)	(206)
Net distributions for the year	954	1,241

Details of the distributions per share are set out in the table on page 143.

## LF MITON UK SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
Distributions represented by:		
Net revenue after taxation	943	1,241
Allocations to capital:		
Revenue deficit	11	–
Net distributions for the year	954	1,241

### 8. Debtors

	31 May 2018 £'000	31 May 2017 £'000
Amounts receivable for issue of shares	399	188
Sales awaiting settlement	78	–
Accrued revenue:		
Non-taxable dividends	513	193
Taxation recoverable:		
Overseas withholding tax	44	29
Total debtors	1,034	410

### 9. Cash and Bank Balances

	31 May 2018 £'000	31 May 2017 £'000
Bank balances	16,753	11,858
Total cash and bank balances	16,753	11,858

### 10. Creditors

	31 May 2018 £'000	31 May 2017 £'000
Distribution payable	334	305

## **LF MITON UK SMALLER COMPANIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
<b>Other Creditors</b>		
Amounts payable for redemption of shares	400	137
Purchases awaiting settlement	633	2,752
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	125	128
Legal and professional fees	–	2
Typesetting and printing costs	1	3
Registration fees	9	9
	135	142
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	4	4
Safe custody and other bank charges	4	2
	8	6
Other expenses	10	9
Total other creditors	1,186	3,046

### **11. Related Party Transactions**

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 131 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 122,773 (31.05.17: 104,055) of the Fund's shares at the balance sheet date.

## **LF MITON UK SMALLER COMPANIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

### **12. Contingent Liabilities and Commitments**

There are no contingent liabilities or unrecorded outstanding commitments (31.05.17: none).

### **13. Shares in Issue**

	'A' Retail Income	'A' Retail Accumulation	'B' Institutional Income	'B' Institutional Accumulation
Annual Management Charge	1.50%	1.50%	0.75%	0.75%
Opening shares in issue	83,680	1,914,328	20,242,241	67,214,536
Issues	45,179	657,929	3,151,742	6,977,132
Redemptions	(35,091)	(810,704)	(2,525,419)	(21,461,209)
Conversions	(7,303)	(61,331)	6,882,033	(6,666,244)
Closing shares in issue	<u>86,465</u>	<u>1,700,222</u>	<u>27,750,597</u>	<u>46,064,215</u>

### **14. Risk Management Policies**

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

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

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

#### **(A) CREDIT RISK**

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

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by

## LF MITON UK SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

the Investment Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

### (B) INTEREST RATE RISK

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

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

### (C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	31 May 2018 £'000	31 May 2017 £'000
Currency:		
Euros	21	67
Icelandic krona	3,921	4,674
US dollars	10	23
	<u>3,952</u>	<u>4,764</u>
Pounds sterling	185,838	192,532
Net assets	<u>189,790</u>	<u>197,296</u>

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £198,000 on the net assets of the Fund (31.05.17: 238,000).

### (D) LEVERAGE

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

## **LF MITON UK SMALLER COMPANIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

### **(E) LIQUIDITY RISK**

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

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

All financial liabilities are payable in one year or less, or on demand.

### **(F) MARKET PRICE RISK**

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £8,676,000 (31.05.17: £9,419,000). A 5% decrease would have an equal and opposite effect.

### **(G) DERIVATIVES**

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

## LF MITON UK SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 15. Portfolio Transaction Costs

31 May 2018	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	41,802	23	26	41,851
Purchases total	41,802	23	26	41,851
<i>Transaction cost % of purchases total</i>		0.06%	0.06%	
<i>Transaction cost % of average NAV</i>		0.01%	0.01%	
Ordinary shares	80,333	(121)	–	80,212
Sales total	80,333	(121)	–	80,212
<i>Transaction cost % of sales total</i>		0.15%	–	
<i>Transaction cost % of average NAV</i>		0.07%	–	

Average portfolio dealing spread at 31.05.18 is 3.22% (31.05.17: 2.98%).

31 May 2017	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	61,681	60	17	61,758
Purchases total	61,681	60	17	61,758
<i>Transaction cost % of purchases total</i>		0.10%	0.03%	
<i>Transaction cost % of average NAV</i>		0.04%	0.01%	
Ordinary shares	44,402	(73)	–	44,329
Sales total	44,402	(73)	–	44,329
<i>Transaction cost % of sales total</i>		0.16%	–	
<i>Transaction cost % of average NAV</i>		0.04%	–	



## LF MITON UK SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 16. Fair Value Hierarchy

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

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

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

**Level 3:** Valuation techniques using unobservable inputs.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31 May 2018</b>				
Investment assets	173,392	—	131	173,523
<b>31 May 2017</b>				
Investment assets	188,160	—	219	188,379

## LF MITON UK SMALLER COMPANIES FUND DISTRIBUTION TABLE

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

### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes. Where there is no distribution at the interim allocation dates, the final distribution is deemed to run for the whole year.

Group 2	Final
From	1 June 2017
To	31 May 2018

### 'A' RETAIL INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31 July 2018	Paid 31 July 2017
Group 1	–	–	–	0.0348
Group 2	–	0.0000	–	0.0348

### 'A' RETAIL ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	–	–	–	0.0344
Group 2	–	0.0000	–	0.0344

### 'B' INSTITUTIONAL INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31 July 2018	Paid 31 July 2017
Group 1	1.2036	–	1.2036	1.5082
Group 2	0.6253	0.5783	1.2036	1.5082

### 'B' INSTITUTIONAL ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	1.2272	–	1.2272	1.5316
Group 2	0.6442	0.5830	1.2272	1.5316

## **LF MITON UK VALUE OPPORTUNITIES FUND ACD'S REPORT**

for the year ended 31 May 2018

### **Important Information**

Refer to the 'Important Information' section on pages 9 and 10.

### **Investment Objective and Policy**

The investment objective of LF Miton UK Value Opportunities Fund ('the Fund') is to achieve long-term capital growth. The Fund will invest mainly in UK companies which the Investment Manager considers to be undervalued by the market.

The Fund considers UK companies to be those companies that are incorporated in the UK and/or have most of their operations in the UK and are listed on a stock exchange.

The Fund may also invest in collective investment schemes, cash, near cash, money market instruments, other transferable securities and derivatives and forward transactions for the purposes of Efficient Portfolio Management.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton UK Value Opportunities Fund  
*7 September 2018*

## LF MITON UK VALUE OPPORTUNITIES FUND INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2018

### Performance

The Fund's 'B' Institutional shares returned 5.2% for the year ended 31st May 2018 marginally underperforming the total return of 5.5%<sup>1</sup> for the FTSE All Share Index over the same period.

### Contributions to Performance

Although the Fund is very much constructed on a bottom-up basis based on the merits and investment potential of individual companies, the analysis and selection of constituents tends to result in a portfolio which is notably underweight oil and commodity related companies (because too large a proportion of the outcome lies beyond the control of management) versus the FTSE All Share Index. The strong performance of these sectors over the year provided a notable headwind to relative performance of the Fund. This was counterbalanced to some extent by an underweight to the Consumer Staples sector, home to several so-called bond proxy companies whose share prices had a more difficult period.

At the stock level the most significant positive contributor to the Fund's performance during over the year was IQE which rose strongly as the company reported a strong uplift in turnover, most notably from its Photonics division which supplies wafers ultimately used by Apple for its 3D facial recognition functionality. Although the shares gave back some of their gains in the second half of the year, and the position was pared back, overall the Fund still accrued significant value from its investment in IQE. Other gainers in the wider technology sector were DiscoverIE and TT Electronics, two not dissimilar companies operating in the general field of electronic component manufacture and supply, both of whom are at different stages of transforming their business into higher margin specialist operators.

With respect to negative impacts on performance, difficult trading conditions in the double glazing markets led to both Epwin and Safestyle issuing profits warnings with attendant sharp falls in their share prices, whilst set-backs in their recovery plans also led to downgrades and profit warnings at Capita and SDL respectively. All four positions were sold.

It would also be remiss to fail to mention Conviviality Retail. Encouraging trading updates early in the year under review were notably tempered after Christmas 2017 and in March the company admitted that it was battling underlying and long standing cash flow problems. Although shares were sold as the price had risen in the early part of the year under review and the Fund's remaining shares were sold prior to its final suspension and demise, the whole episode nonetheless proved detrimental to the Fund's performance.

Although such an outcome is not the primary reason for making an initial investment a number of the Funds' constituents were the subject of takeovers with Aldermore, GKN, Novae, and Paysafe all succumbing to bids.

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<sup>1</sup> Source: FE Analytics. The Indices are used by the Investment Manager for comparison; no benchmark is required to be disclosed per the prospectus.

## **LF MITON UK VALUE OPPORTUNITIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Major Portfolio Changes**

The largest sale was the realisation of substantial profits from the investment in IQE. Having enjoyed a strong run during the year the shares were deemed to much more fully reflect the future prospects of the company's products and consequently the exposure was pared. The investments in Aldermore, GKN and Paysafe were all sold as a result of takeover activity, whilst the investment in Conviviality Retail was sold in light of slowdown in trading and cash flow and governance issues which led to the eventual demise of the company. The holding in Carnival was sold in expectation of a tougher earnings outlook.

Investment activity was broadly spread. For example, at the time of investment Tesco represented a very attractive opportunity to invest in a market leader starting to regain momentum with the added impetus of the benefits of acquiring Booker, the leading food wholesale company, to enhance the story. On the other hand, Ashted's customer service led plant hire business has a long history of success, but that historical record has been undervalued on a regular basis and warranted an investment. Just Group, a growing company in the provision of pensions and annuities, traded at a discount to fair value on almost any common measure, and a holding was accumulated over the period. Investments were also made in Bodycote, Morgan Advanced Materials and Weir Group, their individual stories aided by the generally supportive global economic environment.

### **Outlook**

The general economic environment over recent months has been very benign with levels of economic activity, employment, inflation and interest rates all providing a useful following wind for many companies. Against the backdrop of a generally optimistic mood, however, global investors have shown little interest in the UK; in fact the country was just about rock bottom of the BAML Fund Manager survey of early-2018. The most prominent limiting factor for investors assessing the prospects for the UK is the uncertainty that continues to cloud the issue of Brexit. Despite being a live issue for nearly two years there is still precious little clarity about what the shape of an agreement with the EU might be (if one is reached at all) and whether any agreement can actually be delivered by a government whose very existence remains precarious. Firm predictions as to the outcome and impact of the UK's status have the potential to prove to be seriously misplaced at this juncture.

Notwithstanding the comments above, it bears reiterating that the Fund is invested in individual companies which are essentially sound entities with the potential to demonstrate improving operational and financial performance and generate a consequential greater interest from other investors. And particular weight is given to those companies where the improvement in performance lies within the grasp of management as opposed to simply relying on an uptick in the wider economic climate. With this in mind I remain optimistic that the Fund can continue to make progress in all but the most adverse of economic and market environments.

**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

14 June 2018

## LF MITON UK VALUE OPPORTUNITIES FUND

### FUND INFORMATION

#### Risk and Reward Profile



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

During the year the indicator changed from 5 to 4. The Fund has been classed as 4 because its volatility has been measured as average.

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

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

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

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

## LF MITON UK VALUE OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	180.38	152.95	149.93
Return before operating charges*	12.82	31.92	6.43
Operating charges	(2.94)	(2.48)	(2.44)
Return after operating charges	9.88	29.44	3.99
Distributions	(1.47)	(2.01)	(0.97)
Closing net asset value per share	188.79	180.38	152.95
* after direct transaction costs of:	0.76	0.69	1.02

##### PERFORMANCE

Return after charges	5.48%	19.25%	2.66%
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##### OTHER INFORMATION

Closing net asset value (£'000)	160	303	877
Closing number of shares	84,665	167,847	573,858
Operating charges	1.60% <sup>1</sup>	1.59%	1.58%
Direct transaction costs	0.41%	0.44%	0.67%

##### PRICES

Highest share price	194.21	182.08	159.19
Lowest share price	175.83	129.18	144.37

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON UK VALUE OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	186.87	156.49	152.44
Return before operating charges*	13.29	32.92	6.52
Operating charges	(3.05)	(2.54)	(2.47)
Return after operating charges	10.24	30.38	4.05
Distributions	(1.61)	(2.10)	(0.99)
Retained distributions on accumulation shares	1.61	2.10	0.99
Closing net asset value per share	197.11	186.87	156.49
* after direct transaction costs of:	0.78	0.71	1.04

##### PERFORMANCE

Return after charges	5.48%	19.41%	2.66%
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##### OTHER INFORMATION

Closing net asset value (£'000)	3,498	3,220	11,578
Closing number of shares	1,774,629	1,722,983	7,398,543
Operating charges	1.60% <sup>1</sup>	1.59%	1.58%
Direct transaction costs	0.41%	0.44%	0.67%

##### PRICES

Highest share price	201.79	187.47	161.97
Lowest share price	182.70	132.17	146.89

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.



## LF MITON UK VALUE OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	180.32	152.83	149.79
Return before operating charges*	12.84	32.03	6.44
Operating charges	(1.57)	(1.31)	(1.28)
Return after operating charges	11.27	30.72	5.16
Distributions	(2.92)	(3.23)	(2.12)
Closing net asset value per share	188.67	180.32	152.83
* after direct transaction costs of:	0.76	0.69	1.02

##### PERFORMANCE

Return after charges	6.25%	20.10%	3.44%
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##### OTHER INFORMATION

Closing net asset value (£'000)	52,657	54,881	156,007
Closing number of shares	27,909,357	30,435,644	102,079,476
Operating charges	0.85% <sup>1</sup>	0.84%	0.83%
Direct transaction costs	0.41%	0.44%	0.67%

##### PRICES

Highest share price	194.85	182.65	159.17
Lowest share price	176.24	129.17	144.48

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON UK VALUE OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	192.81	160.26	154.94
Return before operating charges*	13.78	33.93	6.65
Operating charges	(1.68)	(1.38)	(1.33)
Return after operating charges	12.10	32.55	5.32
Distributions	(3.14)	(3.40)	(2.20)
Retained distributions on accumulation shares	3.14	3.40	2.20
Closing net asset value per share	204.91	192.81	160.26
* after direct transaction costs of:	0.81	0.73	1.06

##### PERFORMANCE

Return after charges	6.28%	20.31%	3.43%
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##### OTHER INFORMATION

Closing net asset value (£'000)	368,161	254,531	359,332
Closing number of shares	179,670,967	132,008,772	224,221,514
Operating charges	0.85% <sup>1</sup>	0.84%	0.83%
Direct transaction costs	0.41%	0.44%	0.67%

##### PRICES

Highest share price	209.74	193.43	165.35
Lowest share price	188.80	135.45	150.09

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

**LF MITON UK VALUE OPPORTUNITIES FUND**  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2018 (%)**

	1 year	3 years	5 years
LF Miton UK Value Opportunities Fund	5.47	29.11	95.30

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 172 and 173.

**RISK WARNING**

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

## LF MITON UK VALUE OPPORTUNITIES FUND PORTFOLIO STATEMENT

as at 31 May 2018

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	OIL & GAS – 2.48% (31.05.17 – 0.00%)		
	OIL & GAS PRODUCERS – 2.48% (31.05.17 – 0.00%)		
3,550,000	Diversified Gas & Oil <sup>1</sup>	3,323	0.78
6,000,000	Premier Oil	7,194	1.70
		10,517	2.48
	TOTAL OIL & GAS	10,517	2.48
	BASIC MATERIALS – 2.82% (31.05.17 – 3.49%)		
	CHEMICALS – 2.27% (31.05.17 – 2.13%)		
1,790,000	Synthomer	9,639	2.27
	MINING – 0.55% (31.05.17 – 1.36%)		
13,000,000	Sylvania Platinum <sup>1</sup>	2,340	0.55
	TOTAL BASIC MATERIALS	11,979	2.82
	INDUSTRIALS – 41.87% (31.05.17 – 39.32%)		
	AEROSPACE & DEFENCE – 0.87% (31.05.17 – 0.00%)		
1,841,800	Chemring	3,684	0.87
	CONSTRUCTION & MATERIALS – 9.88% (31.05.17 – 15.17%)		
1,500,000	Costain	6,833	1.61
2,075,000	Henry Boot	6,038	1.42
1,254,463	Marshalls	5,379	1.27
2,757,572	Melrose Industries	6,500	1.53
488,600	Morgan Sindall	7,085	1.67
3,109,803	Norcros	6,064	1.43
1,050,000	Polypipe	4,053	0.95
		41,952	9.88

## LF MITON UK VALUE OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	ELECTRONIC & ELECTRICAL EQUIPMENT – 5.71% (31.05.17 – 4.83%)		
2,125,000	Morgan Advanced Materials	7,251	1.71
340,619	Oxford Instruments	3,123	0.74
220,000	Spectris	6,136	1.44
3,063,716	TT Electronics	7,721	1.82
		<u>24,231</u>	<u>5.71</u>
	GENERAL INDUSTRIALS – 2.69% (31.05.17 – 2.01%)		
6,360,000	Coats	5,133	1.21
1,000,000	Vesuvius	6,270	1.48
		<u>11,403</u>	<u>2.69</u>
	INDUSTRIAL ENGINEERING – 6.94% (31.05.17 – 3.66%)		
725,000	Bodycote	7,192	1.69
370,000	Hill & Smith	5,199	1.23
759,291	Vitec	9,377	2.21
350,000	Weir	7,665	1.81
		<u>29,433</u>	<u>6.94</u>
	SUPPORT SERVICES – 15.78% (31.05.17 – 13.65%)		
440,000	Ashtead	10,243	2.41
1,765,336	DiscoverIE	7,679	1.81
1,273,214	Equiniti	3,317	0.78
4,050,000	Johnson Service <sup>1</sup>	5,265	1.24
655,000	Menzies (John)	4,113	0.97
1,782,734	Renew <sup>1</sup>	7,131	1.68
592,691	Ricardo	6,283	1.48
435,273	Robert Walters	2,864	0.68
1,100,000	RPS	2,893	0.68

## LF MITON UK VALUE OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
1,975,000	SafeCharge International <sup>1</sup>	6,439	1.52
1,943,359	Science <sup>1</sup>	4,431	1.04
11,200,000	Speedy Hire	6,339	1.49
		66,997	15.78
	TOTAL INDUSTRIALS	177,700	41.87
	CONSUMER GOODS – 8.36% (31.05.17 – 12.15%)		
	AUTOMOBILES & PARTS – 0.00% (31.05.17 – 1.31%)	–	–
	FOOD PRODUCERS – 2.86% (31.05.17 – 3.87%)		
175,000	Cranswick	5,901	1.39
3,200,000	Finsbury Food <sup>1</sup>	4,000	0.94
245,000	Hilton Food	2,234	0.53
		12,135	2.86
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 4.61% (31.05.17 – 6.97%)		
220,000	Bellway	7,220	1.70
825,000	Headlam	3,721	0.88
1,425,000	Redrow	8,628	2.03
		19,569	4.61
	LEISURE GOODS – 0.89% (31.05.17 – 0.00%)		
2,750,000	Sumo <sup>1</sup>	3,795	0.89
	TOTAL CONSUMER GOODS	35,499	8.36

## LF MITON UK VALUE OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	HEALTH CARE – 3.73% (31.05.17 – 2.62%)		
	PHARMACEUTICALS & BIOTECHNOLOGY – 3.73% (31.05.17 – 2.62%)		
2,410,000	Alliance Pharma <sup>1</sup>	2,029	0.48
1,392,500	Ergomed <sup>1</sup>	3,203	0.76
695,000	GlaxoSmithKline	10,590	2.49
	TOTAL HEALTH CARE	15,822	3.73
	CONSUMER SERVICES – 14.57% (31.05.17 – 14.48%)		
	FOOD & DRUG RETAILERS – 2.63% (31.05.17 – 2.69%)		
4,550,000	Tesco	11,179	2.63
	GENERAL RETAILERS – 4.21% (31.05.17 – 5.62%)		
1,800,000	B&M European Value Retail	7,254	1.71
2,250,000	JD Sports Fashion	8,559	2.02
1,350,000	QUIZ <sup>1</sup>	2,059	0.48
		17,872	4.21
	MEDIA – 5.49% (31.05.17 – 2.46%)		
1,000,000	Ascential	4,304	1.01
700,000	Future	3,430	0.81
4,500,000	Huntsworth	4,590	1.08
4,500,000	ITV	7,317	1.73
4,656,515	Reach	3,660	0.86
		23,301	5.49
	TRAVEL & LEISURE – 2.24% (31.05.17 – 3.71%)		
1,175,000	Dart <sup>1</sup>	9,488	2.24
	TOTAL CONSUMER SERVICES	61,840	14.57

## LF MITON UK VALUE OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	FINANCIALS – 19.61% (31.05.17 – 16.31%)		
	BANKS – 3.78% (31.05.17 – 6.65%)		
5,000,000	Barclays	9,861	2.33
9,750,000	Lloyds Banking	6,163	1.45
		<u>16,024</u>	<u>3.78</u>
	NON-LIFE INSURANCE – 0.00% (31.05.17 – 0.49%)	<u>–</u>	<u>–</u>
	LIFE INSURANCE – 1.79% (31.05.17 – 0.00%)		
420,000	Prudential	<u>7,604</u>	<u>1.79</u>
	REAL ESTATE INVESTMENT & SERVICES – 5.14% (31.05.17 – 5.40%)		
60,000	Daejan	3,504	0.83
3,500,000	Harworth	4,130	0.97
770,000	Helical Bar	2,880	0.68
1,750,000	St. Modwen Properties	6,979	1.64
2,000,000	Watkin Jones <sup>1</sup>	4,340	1.02
		<u>21,833</u>	<u>5.14</u>
	FINANCIAL SERVICES – 8.90% (31.05.17 – 3.77%)		
1,735,000	Brewin Dolphin	6,381	1.50
810,000	Charter Court Financial Services	2,454	0.58
470,000	Intermediate Capital	5,377	1.27
5,195,000	Just	7,491	1.76
3,600,000	Man	6,539	1.54
4,250,000	Sherborne Investors	4,208	0.99
1,275,000	TP ICAP	5,341	1.26
		<u>37,791</u>	<u>8.90</u>
	TOTAL FINANCIALS	<u>83,252</u>	<u>19.61</u>



## LF MITON UK VALUE OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	TECHNOLOGY – 3.76% (31.05.17 – 7.22%)		
	TECHNOLOGY HARDWARE & EQUIPMENT – 1.23% (31.05.17 – 2.77%)		
4,750,000	IQE <sup>1</sup>	5,201	1.23
	SOFTWARE & COMPUTER SERVICES – 2.53% (31.05.17 – 4.45%)		
2,056,000	IMImobile	5,633	1.32
1,153,333	Microgen	5,132	1.21
		10,765	2.53
	TOTAL TECHNOLOGY	15,966	3.76
	Portfolio of investments	412,575	97.20
	Net other assets	11,901	2.80
	Net assets	424,476	100.00

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

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

## LF MITON UK VALUE OPPORTUNITIES FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2018

Total purchases for the year £'000 (note 16)	275,321	Total sales for the year £'000 (note 16)	178,420
Major purchases	Cost £'000	Major sales	Proceeds £'000
GlaxoSmithKline	10,120	IQE	11,834
Prudential	9,220	Shire	8,389
Tesco	9,210	Carnival	7,638
Ashtead	8,391	GKN	7,583
Just	7,977	Aldermore	6,706
Weir	7,714	CRH	6,152
Morgan Advanced Materials	7,584	Clinigen	5,560
ITV	7,578	G4S	5,474
Man	7,440	Capita	5,459
B&M European Value Retail	6,824	Conviviality Retail	5,227
Bodycote	6,752	Standard Chartered	5,028
St. Modwen Properties	6,663	Paysafe	4,669
Morgan Sindall	6,497	Countryside Properties	4,632
Speedy Hire	6,388	Micro Focus International	4,162
Vesuvius	5,945	Morrison (Wm.) Supermarkets	3,989
Shire	5,772	SDL	3,760
Barclays	5,564	John Laing	3,724
Premier Oil	5,203	Essentra	3,302
Ricardo	4,480	Safestyle	3,229
Sherborne Investors	4,265	Bellway	3,115

The summary of material portfolio changes represents the 20 largest purchases and sales during the year.

## LF MITON UK VALUE OPPORTUNITIES FUND STATEMENT OF TOTAL RETURN

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
Income:					
Net capital gains	3		16,602		37,130
Revenue	4	9,029		9,792	
Expenses	5	(3,119)		(2,756)	
Interest payable and similar charges	7	–		(1)	
Net revenue before taxation		5,910		7,035	
Taxation	6	(6)		(133)	
Net revenue after taxation			5,904		6,902
<b>Total return before distributions</b>			22,506		44,032
Distributions	8		(5,904)		(6,902)
<b>Change in net assets attributable to shareholders from investment activities</b>			16,602		37,130

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 May 2018

	Note	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
<b>Opening net assets attributable to shareholders</b>			312,935		527,794
Amounts receivable on issue of shares		115,213		28,725	
Amounts payable on redemption of shares		(25,617)		(285,492)	
			89,596		(256,767)
Dilution levy	1(H)		–		112
Change in net assets attributable to shareholders from investment activities			16,602		37,130
Retained distributions on Accumulation shares			5,343		4,666
<b>Closing net assets attributable to shareholders</b>			424,476		312,935

## LF MITON UK VALUE OPPORTUNITIES FUND BALANCE SHEET

as at 31 May 2018

	Notes	31 May 2018 £'000	31 May 2017 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		412,575	299,128
<b>Current assets</b>			
Debtors	9	2,036	14,080
Cash and bank balances	10	18,350	2,088
<b>Total assets</b>		<u>432,961</u>	<u>315,296</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Distribution payable	11	(470)	(532)
Other creditors	11	(8,015)	(1,829)
<b>Total liabilities</b>		<u>(8,485)</u>	<u>(2,361)</u>
<b>Net assets attributable to shareholders</b>		<u>424,476</u>	<u>312,935</u>

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2018

### 1. Accounting Policies

The accounting policies described on pages 19 to 21 have been applied to the financial statements of the Fund in the current and prior year.

### 2. Distribution Policies

The distribution policies described on page 21 have been applied to the financial statements of the Fund in the current and prior year.

### 3. Net Capital Gains

The net capital gains during the year comprise:

	31 May 2018 £'000	31 May 2017 £'000
Non-derivative securities	16,610	37,132
Transaction charges	(6)	(8)
Currency (losses)/gains	(2)	6
Net capital gains	16,602	37,130

### 4. Revenue

	31 May 2018 £'000	31 May 2017 £'000
Non-taxable dividends	9,015	9,742
Underwriting commission	5	36
Bank interest	9	14
Total revenue	9,029	9,792

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 5. Expenses

	31 May 2018 £'000	31 May 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	2,770	2,457
Legal and professional fees	10	10
Typesetting and printing costs	2	6
Registration fees	184	196
	2,966	2,669
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	72	67
Safe custody and other bank charges	14	12
	86	79
Other expenses:		
Audit fees	8	8
Research costs	59	–
	67	8
Total expenses	3,119	2,756

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

### 6. Taxation

	31 May 2018 £'000	31 May 2017 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	6	133
Current tax charge	6	133
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	6	133

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.17: 20%). The difference is explained below:

	31 May 2018 £'000	31 May 2017 £'000
Net revenue before taxation	5,914	7,035
Corporation tax at 20%	1,183	1,407
Effects of:		
Non-taxable dividends	(1,803)	(1,948)
Unutilised excess management expenses	620	541
Corporation tax charge	—	—
Overseas tax	6	133
Total tax charge (note 6a)	6	133

c) Deferred tax

At the year end there is a potential deferred tax asset of £2,471,000 (31.05.17: £1,851,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

### 7. Interest Payable and Similar Charges

	31 May 2018 £'000	31 May 2017 £'000
Interest payable	—	1
Total interest payable and similar charges	—	1

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 8. Distributions

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

	31 May 2018 £'000	31 May 2017 £'000
Interim	2,415	2,854
Final	3,742	2,981
	<u>6,157</u>	<u>5,835</u>
Add: Revenue deducted on redemption of shares	80	1,251
Deduct: Revenue received on issue of shares	<u>(333)</u>	<u>(184)</u>
Net distributions for the year	<u>5,904</u>	<u>6,902</u>

Details of the distributions per share are set out in the table on pages 172 and 173.

### 9. Debtors

	31 May 2018 £'000	31 May 2017 £'000
Amounts receivable for issue of shares	478	12,512
Sales awaiting settlement	—	177
Accrued revenue:		
Non-taxable dividends	1,541	1,365
Taxation recoverable:		
Overseas withholding tax	<u>17</u>	<u>26</u>
Total debtors	<u>2,036</u>	<u>14,080</u>

### 10. Cash and Bank Balances

	31 May 2018 £'000	31 May 2017 £'000
Bank balances	18,350	2,088
Total cash and bank balances	<u>18,350</u>	<u>2,088</u>



## **LF MITON UK VALUE OPPORTUNITIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

### **11. Creditors**

	31 May 2018 £'000	31 May 2017 £'000
Distribution payable	470	532
<b>Other Creditors</b>		
Amounts payable for redemption of shares	641	42
Purchases awaiting settlement	7,062	1,557
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	272	193
Typesetting and printing costs	1	1
Registration fees	16	8
	289	202
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	7	5
Transaction charges	2	2
Safe custody and other bank charges	5	2
	14	9
Other expenses	9	19
Total other creditors	8,015	1,829

### **12. Related Party Transactions**

Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the ACD'), registration fees payable to Link Fund Administrators Limited and printing costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 160 and amounts due at the year end are disclosed in notes 9 and 11.

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

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

Fundsettle Nominees Ltd 49.68% (31.05.17: 42.71%)

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 253,449 (31.05.17: 279,720) of the Fund's shares at the balance sheet date.

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.17: none).

### 14. Shares in Issue

	'A' Retail Income	'A' Retail Accumulation	'B' Institutional Income	'B' Institutional Accumulation
Annual Management Charge	1.50%	1.50%	0.75%	0.75%
Opening shares in issue	167,847	1,722,983	30,435,644	132,008,772
Issues	21,025	632,437	4,020,659	53,853,032
Redemptions	(96,728)	(560,637)	(6,401,034)	(6,353,395)
Conversions	(7,479)	(20,154)	(145,912)	162,558
Closing shares in issue	<u>84,665</u>	<u>1,774,629</u>	<u>27,909,357</u>	<u>179,670,967</u>

### 15. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

## **LF MITON UK VALUE OPPORTUNITIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

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

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

### **(A) CREDIT RISK**

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

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

### **(B) INTEREST RATE RISK**

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

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

### **(C) FOREIGN CURRENCY RISK**

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

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

The table below shows the direct foreign currency risk profile:

	31 May 2018 £'000	31 May 2017 £'000
Currency:		
Euros	17	25
US dollars	86	56
	<u>103</u>	<u>81</u>
Pounds sterling	424,373	312,854
Net assets	<u>424,476</u>	<u>312,935</u>

The Fund's exposure to foreign currency risk is not significant and therefore no sensitivity analysis has been presented.

### (D) LEVERAGE

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

### (E) LIQUIDITY RISK

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

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

All financial liabilities are payable in one year or less, or on demand.

### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £20,629,000 (31.05.17: £14,956,000). A 5% decrease would have an equal and opposite effect.

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### (G) DERIVATIVES

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

### 16. Portfolio Transaction Costs

31 May 2018	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	273,985	217	1,119	275,321
Purchases total	273,985	217	1,119	275,321
<i>Transaction cost % of purchases total</i>		0.08%	0.41%	
<i>Transaction cost % of average NAV</i>		0.06%	0.31%	
Ordinary shares	178,584	(164)	—	178,420
Sales total	178,584	(164)	—	178,420
<i>Transaction cost % of sales total</i>		0.09%	—	
<i>Transaction cost % of average NAV</i>		0.04%	—	

Average portfolio dealing spread at 31.05.18 is 0.56% (31.05.17: 0.46%).

## LF MITON UK VALUE OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

31 May 2017	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	171,910	228	799	172,937
Purchases total	171,910	228	799	172,937
<i>Transaction cost % of purchases total</i>		0.13%	0.46%	
<i>Transaction cost % of average NAV</i>		0.07%	0.25%	
Ordinary shares	370,221	(396)	(1)	369,824
Sales total	370,221	(396)	(1)	369,824
<i>Transaction cost % of sales total</i>		0.11%	–	
<i>Transaction cost % of average NAV</i>		0.12%	–	

### 17. Fair Value Hierarchy

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

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

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

**Level 3:** Valuation techniques using unobservable inputs.

All of the Fund's investments in the current and prior year are ordinary shares all categorised as Level 1.

## LF MITON UK VALUE OPPORTUNITIES FUND DISTRIBUTION TABLE

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

### EQUALISATION

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

Group 2	Interim	Final
From	1 June 2017	1 December 2017
To	30 November 2017	31 May 2018

### 'A' RETAIL INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31 January 2018	Paid 31 January 2017
Group 1	0.5533	–	0.5533	0.8998
Group 2	0.2878	0.2655	0.5533	0.8998

Final	Net Revenue	Equalisation	Payable 31 July 2018	Paid 31 July 2017
Group 1	0.9129	–	0.9129	1.1116
Group 2	0.7854	0.1275	0.9129	1.1116

### 'A' RETAIL ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31 January 2018	Allocated 31 January 2017
Group 1	0.5719	–	0.5719	0.9476
Group 2	0.2792	0.2927	0.5719	0.9476

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	1.0360	–	1.0360	1.1519
Group 2	0.9089	0.1271	1.0360	1.1519

## LF MITON UK VALUE OPPORTUNITIES FUND DISTRIBUTION TABLE *continued*

### 'B' INSTITUTIONAL INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31 January 2018	Paid 31 January 2017
Group 1	1.2421	–	1.2421	1.4865
Group 2	0.6955	0.5466	1.2421	1.4865

Final	Net Revenue	Equalisation	Payable 31 July 2018	Paid 31 July 2017
Group 1	1.6826	–	1.6826	1.7411
Group 2	1.4860	0.1966	1.6826	1.7411

### 'B' INSTITUTIONAL ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31 January 2018	Allocated 31 January 2017
Group 1	1.3271	–	1.3271	1.5615
Group 2	0.6776	0.6495	1.3271	1.5615

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	1.8107	–	1.8107	1.8341
Group 2	1.3034	0.5073	1.8107	1.8341



## **LF MITON US OPPORTUNITIES FUND ACD'S REPORT**

for the year ended 31 May 2018

### **Important Information**

Refer to the 'Important Information' section on pages 9 and 10.

### **Investment Objective and Policy**

The LF Miton US Opportunities Fund ('the Fund') aims to achieve long-term total returns by investing primarily in a portfolio of North American equities.

The Fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and use derivatives and forward transactions for the purposes of Efficient Portfolio Management.

There is no guarantee that a positive return will be delivered.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton US Opportunities Fund

*7 September 2018*

## **LF MITON US OPPORTUNITIES FUND INVESTMENT MANAGER'S REPORT**

**for the year ended 31 May 2018**

### **Fund Performance**

The Fund's 'B' Institutional Accumulation shares rose 13.0% compared to a 10.3%<sup>1</sup> gain for the S&P 500 Index (Sterling adjusted) during the reporting period (see Contributors and Detractors from Performance section below). Sector allocation was negative as the Fund held less than the S&P 500 Index in the strongly performing technology sector. This was more than offset by positive stock selection however as a number of our healthcare, financial and business services companies produced good returns and there were some strong performers among the technology stocks the Fund held. Other positive contributors included a number of the Fund's domestic cyclical stocks (particularly within the transportation sector) which rose as investors anticipated the beneficial impact of tax reform on earnings outlooks.

### **Economic/Market Review**

US stocks again produced good returns for investors during the period under review as the "Goldilocks" scenario of moderate growth coupled with low inflation persisted. The Federal Reserve made only minor adjustments to monetary policy, raising interest rates by 0.25% in June 2017 and then a further 0.25% in March this year. Inflationary pressures continued to appear modest with the fall in unemployment to near record lows failing to produce a meaningful uptick in wage growth.

Most of the major moves in the S&P 500 Index were driven by policy initiatives from the White House. Towards the end of the year, stocks surged as investors anticipated that corporate earnings would be boosted by the passage of the President's Tax Reform proposals. The new legislation was finally signed into law in the week before Christmas. Highlights of the bill included reduced individual income-tax rates, a substantial reduction in the corporate tax rate and the ability of companies to deduct the entire cost of investing in new plant and machinery from pre-tax profits in year one. The tax reform was the largest in more than three decades and prompted a number of major US corporations including AT&T, Comcast and Wells Fargo to reward employees with extra bonuses or pay increases.

Market volatility rose dramatically in the New Year as news that President Trump said he intended to put tariffs of 10% on imported aluminium and 25% on steel – prompting fears of a trade war. Investors were also unnerved by the fading market leadership of the so called "FANG" stocks as the business practices of key constituents Facebook and Alphabet (the parent of Google) came under scrutiny. This development dragged down other mega cap internet stocks and prompted a significant sell-off in the technology sector in general. Investors rotated into Energy stocks which were supported by firmer oil prices.

Better than expected earnings results for the first quarter of 2018 provided support for the market in the Spring although there were notable disappointments from tobacco giant Philip Morris and household products producer Procter and Gamble which dragged down Consumer Staples stocks. The improving economic outlook prompted investors to favour more cyclical sectors such as Transportation with other defensive sectors such as Utilities continuing to fare poorly.

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<sup>1</sup> Source: FE Analytics. The Index is used by the Investment Manager for comparison; no benchmark is required to be disclosed as per the prospectus.

## **LF MITON US OPPORTUNITIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Contributors to and Detractors from Performance**

Significant positive contributors to the Fund's performance over the period included WEX, Charles Schwab and UnitedHealth Group with the stocks adding 1.5%, 1.0% and 0.9% to the Fund's return respectively. WEX offers payment processing and information management services to trucking operators. The company charges fees based on the value of the transactions it handles. Higher fuel prices resulted in better than anticipated revenue growth and profits. Charles Schwab is known for its online broking capabilities which enable its customers to trade stocks at very low commission rates. Its business benefitted from a pick-up in trading activity following heightened stock market volatility at the beginning of the year. UnitedHealth Group provides employee health benefit programs. Its services are in strong demand because the company has been able to use its powerful bargaining position to get good deals for its customers.

Electronics For Imaging, TreeHouse Foods and B&G Foods detracted from performance. Electronics For Imaging manufactures high end printing machines for corrugated packaging. The company's third quarter earnings report missed expectations as the management team was distracted by an accounting issue (subsequently resolved) which resulted in a low conversion rate of committed orders. Shares in food manufacturers B&G Foods and TreeHouse Foods fell after Amazon caught the industry off-guard by announcing the acquisition of Whole Foods Market and its intent to make a rapid push into the online grocery market. The move prompted the US supermarkets to respond by cutting prices aggressively and, consequently, to become much more forceful in pushing for better pricing from their suppliers. This became apparent when the management teams of B&G Foods and TreeHouse Foods gave forward earnings guidance that fell below investor expectations. We sold both holdings as we became concerned about the diminished pricing power of the businesses.

### **Major Changes to the Portfolio**

Major purchases included four large cap stocks (Henry Schein, Lowe's, Salesforce.com and Snap-On Inc.), and four mid cap stocks (Gartner, GoDaddy, POOLCORP and Western Alliance Bancorp).

Henry Schein is the leading global distributor of dental supplies. We have admired the company for a very long time but the shares have always been too expensive for us to buy given the lack of any margin of safety on valuation. Slightly softer industry volumes, combined with speculation that Amazon could enter the market (unfounded we believe), put the shares under pressure and gave us an opportunity to buy into a great franchise at a reasonable valuation.

Lowe's is a home improvement retailer that distributes building materials and supplies through a nationwide store base. The company offers a broad array of products and services for home renovation, maintenance, repair and remodelling. We expect the company's sales and earnings growth to pick-up following a period of reinvestment in the business.

## **LF MITON US OPPORTUNITIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Major Changes to the Portfolio** *continued*

Salesforce.com is a technology company providing customer relationship management (CRM) software on demand. Its core platform enables companies to radically improve and overhaul their sales and marketing operations and, as the company's services are sold on a subscription basis, revenue visibility is very high. We are at a stage in the economic cycle where we should expect companies to increase their spending on information technology and Salesforce is well positioned to take advantage.

Snap-On is a leading manufacturer and distributor of high-quality hand tools, as well as auto diagnostic equipment and "under-car" shop implements, such as hydraulic lifts and tyre changers. Its stock de-rated as sales growth slowed after an exceptional slate of new product introductions last year. We anticipate the company's business will re-accelerate next year as Snap-On's industrial customers benefit from a stronger global economy.

Gartner is the leading supplier of advisory and consulting services to corporate IT buyers. Record global corporate profits should provide a healthy backdrop for IT spending and hence the need for the Gartner's consultants.

GoDaddy is the largest domain name registrar. The company has also built a suite of small business services such as website hosting which it has been able to sell to its domain customers resulting in higher revenue per user. The majority of its products are sold via annual contracts with customer payment made up front so the business has relatively stable and predictable revenues and is extremely cash generative.

POOLCORP distributes swimming pool supplies and related leisure products. The company is the leader in this niche market with an unsurpassed network of sales and distribution centres and deep local relationships. We sold the shares earlier as they had begun to look expensive after a long period of outperforming the market. However, concerns about potential competition from Amazon resulted in a sharp pull back in the stock this month and we re-established our holding.

Western Alliance Bancorp is a rapidly growing commercial bank with a strong presence in Arizona, Nevada and Southern California. The company has an excellent record of strong organic growth and market share gains and is opportunistically making acquisitions to expand its footprint throughout the West. Its success has been driven by an intense focus on keeping operating costs low coupled with a very high quality loan book and substantial deposit base. As a result, Western Alliance has achieved industry-leading profitability metrics and above-average earnings growth which we believe is sustainable.

### **Stocks Sold to Fund the Purchases**

We sold Akamai Technologies, Electronics For Imaging, Euronet Worldwide, NCI Building Systems, Ultimate Software and Walgreens Boots Alliance.

Akamai Technologies provides services for accelerating and improving the delivery of content and applications over the internet including live and on-demand streaming video capabilities. We were disappointed by the news that several Akamai customers had developed the capability to perform accelerated content streaming in-house ("DIY") resulting in the loss of some sales.

## **LF MITON US OPPORTUNITIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Stocks Sold to Fund the Purchases** *continued*

We lost confidence in the management team at Electronics For Imaging in the aftermath of accounting issues relating to the timing of the recognition of sales of its high-end printing machines.

Electronic payments provider Euronet Worldwide faces an ongoing EU investigation into one segment of its business which could result in a significant downward revision to profits.

NCI Building Systems sells metal engineered building systems and products. We became concerned about rising input costs (steel) and some insider selling at the company.

Ultimate Software is a provider of Human Capital Management (HCM) software delivered over the internet. The company appeared to be winning fewer deals as competition in the sector intensified.

Our thesis that pharmaceutical retailer Walgreen Boots Alliance's earnings would get a boost from a merger with fellow pharmacy operator Rite-Aid, was undermined by a decision by the regulator to severely limit the number of stores Walgreens Boots Alliance would be allowed to own. In addition, drug price inflation weakened and curtailed reported sales growth.

We also sold B&G Foods and TreeHouse Foods (see above).

### **Outlook**

We expect further gains in US stocks this year as economic activity accelerates. US GDP growth should rise to 3% or more driven by increases in business and consumer spending. We see the current environment as being very similar to the period of expansion in the 1960s where investment tax credits and corporation tax cuts resulted in a surge in capital spending from 1962-66. President Trump's tax reform bears a remarkable resemblance to the fiscal stimulus pushed through by Presidents Kennedy and Johnson which were instrumental in driving in the second longest economic expansion on record, from 1961 to 1969.

Superior upward GDP growth and corporate earnings revisions compared to other major economies should underpin the currency. In addition, demand for the Dollar is likely to be bolstered by overseas cash repatriation activity as multinationals take advantage of the favourable 15.5% one-time tax charge included in President Trump's tax reform.

The Fund continues to hold companies which should benefit from improving business conditions in the domestic market (with a bias towards mid-cap stocks).

**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

13 June 2018

# LF MITON US OPPORTUNITIES FUND

## FUND INFORMATION

### Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

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

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

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

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

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

## LF MITON US OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	187.26	147.40	133.96
Return before operating charges*	24.85	42.68	15.58
Operating charges	(3.20)	(2.82)	(2.14)
Return after operating charges	21.65	39.86	13.44
Distributions	–	–	–
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	208.91	187.26	147.40
* after direct transaction costs of:	0.37	0.50	0.55

##### PERFORMANCE

Return after charges	11.56%	27.04%	10.03%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,798	1,392	346
Closing number of shares	860,406	743,327	234,665
Operating charges	1.62% <sup>1</sup>	1.59%	1.60%
Direct transaction costs	0.19%	0.28%	0.41%

##### PRICES

Highest share price	211.24	196.79	148.01
Lowest share price	184.89	143.69	124.75

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.

## LF MITON US OPPORTUNITIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 pence per share	31 May 2017 pence per share	31 May 2016 pence per share
Opening net asset value per share	193.24	150.97	136.17
Return before operating charges*	25.77	43.80	15.97
Operating charges	(1.78)	(1.53)	(1.17)
Return after operating charges	23.99	42.27	14.80
Distributions	(0.08)	(0.18)	(0.38)
Retained distributions on accumulation shares	0.08	0.18	0.38
Closing net asset value per share	217.23	193.24	150.97
* after direct transaction costs of:	0.39	0.51	0.57

##### PERFORMANCE

Return after charges	12.41%	28.00%	10.87%
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##### OTHER INFORMATION

Closing net asset value (£'000)	468,818	277,036	167,158
Closing number of shares	215,819,439	143,362,246	110,724,334
Operating charges	0.87% <sup>1</sup>	0.84%	0.85%
Direct transaction costs	0.19%	0.28%	0.41%

##### PRICES

Highest share price	219.64	202.76	151.53
Lowest share price	191.23	147.24	127.49

<sup>1</sup> The current period Operating Charges Figure ('OCF') differs to the prior period OCFs due to the regulatory changes in relation to how the cost of research is charged to the Fund. Where the Investment Manager charges the cost of research to a fund it is now treated as an operating cost of the Fund rather than a portfolio transaction cost and is therefore included in the OCF.



**LF MITON US OPPORTUNITIES FUND**  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2018 (%)**

	1 year	3 years	5 years
LF Miton US Opportunities Fund	12.15	57.30	102.83

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

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

Details of the distributions per share for the year are shown in the Distribution Table on page 199.

**RISK WARNING**

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

## LF MITON US OPPORTUNITIES FUND PORTFOLIO STATEMENT

as at 31 May 2018

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	UNITED STATES		
	OIL & GAS – 3.67% (31.05.17 – 0.00%)		
235,100	Halliburton	8,788	1.87
164,400	Schlumberger	8,482	1.80
	TOTAL OIL & GAS	17,270	3.67
	BASIC MATERIALS – 0.00% (31.05.17 – 2.52%)	–	–
	INDUSTRIALS – 21.78% (31.05.17 – 22.95%)		
142,000	Eagle Materials	11,568	2.46
280,600	Fastenal	11,225	2.38
60,000	FedEx	11,232	2.39
237,700	Fortune Brands Home & Security	10,034	2.13
393,900	Masco	11,036	2.34
248,500	Robert Half International	11,894	2.53
106,400	Union Pacific	11,415	2.43
210,000	Waste Connections	12,135	2.58
86,600	Watsco	11,977	2.54
	TOTAL INDUSTRIALS	102,516	21.78
	CONSUMER GOODS – 11.61% (31.05.17 – 9.30% <sup>1</sup> )		
442,700	LKQ	10,566	2.24
394,800	Mondelēz International	11,651	2.48
95,100	POOL	10,211	2.17
479,600	PulteGroup	10,906	2.32
101,500	Snap-on	11,274	2.40
	TOTAL CONSUMER GOODS	54,608	11.61

## LF MITON US OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	HEALTH CARE – 11.56% (31.05.17 – 7.74%)		
200,400	CVS Health	9,548	2.03
198,800	Henry Schein	10,336	2.20
183,900	PRA Health Sciences	11,732	2.49
63,400	UnitedHealth	11,506	2.44
130,900	Universal Health Services 'B'	11,311	2.40
	TOTAL HEALTH CARE	54,433	11.56
	CONSUMER SERVICES – 7.22% (31.05.17 – 16.78%)		
133,400	Bright Horizons Family Solutions	10,143	2.16
177,500	Lowe's	12,676	2.69
405,300	Service Corp International	11,175	2.37
	TOTAL CONSUMER SERVICES	33,994	7.22
	FINANCIALS – 24.00% (31.05.17 – 15.23% <sup>1</sup> )		
82,800	Affiliated Managers	9,910	2.10
437,600	Bank of America	9,544	2.03
271,000	Charles Schwab	11,328	2.41
189,000	Intercontinental Exchange	10,072	2.14
747,800	KeyCorp	10,925	2.32
146,700	Prosperity Bancshares	7,985	1.70
159,100	Total System Services	10,185	2.16
233,100	Western Alliance	10,554	2.24
159,800	Wintrust Financial	11,062	2.35
188,800	Worldpay	11,277	2.40
245,500	Zions Bancorporation	10,112	2.15
	TOTAL FINANCIALS	112,954	24.00
	TECHNOLOGY – 19.41% (31.05.17 – 22.00%)		
152,700	Analog Devices	11,149	2.37
197,500	Cognizant Technology Solutions	11,184	2.38
119,500	Gartner	11,921	2.53
222,300	GoDaddy	11,960	2.54
154,000	Microsoft	11,441	2.43

## LF MITON US OPPORTUNITIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
111,700	Salesforce.com	10,854	2.31
86,000	Servicenow	11,480	2.44
85,900	WEX	11,345	2.41
	TOTAL TECHNOLOGY	91,334	19.41
	Portfolio of investments	467,109	99.25
	Net other assets	3,507	0.75
	Net assets	470,616	100.00

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

<sup>1</sup> The comparative figure has been restated to be consistent with current year presentation. Total System Services has been reclassified from Consumer Goods to Financials.

## LF MITON US OPPORTUNITIES FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2018

Total purchases for the year £'000 (note 16)	374,037	Total sales for the year £'000 (note 16)	219,969
Major purchases	Cost £'000	Major sales	Proceeds £'000
GoDaddy	13,633	Kansas City Southern	10,739
Mondelēz International	12,930	Berry Global	10,290
Snap-on	12,586	Analog Devices	9,419
Henry Schein	12,334	Norwegian Cruise Line	8,785
Waste Connections	12,085	Royal Caribbean Cruises	8,720
CVS Health	11,916	Euronet Worldwide	8,713
Analog Devices	11,869	Jones Lang LaSalle	8,490
Berry Global	11,662	Marriott International 'A'	7,750
Lowe's	11,624	Vantiv	7,605
Universal Health Services 'B'	11,617	Ecolab	7,334
Gartner	11,582	JB Hunt Transport Services	7,331
KeyCorp	11,376	Ultimate Software	7,329
Robert Half International	10,922	Lithia Motors	7,256
Salesforce.com	10,726	SEI Investments	7,119
Servicenow	10,579	Red Hat	7,038
Zions Bancorporation	10,108	Parexel International	7,003
POOL	10,070	Workday	6,825
Microsoft	10,024	NCI Building Systems	6,711
Western Alliance	9,516	CBS 'B'	6,040
Bank of America	9,082	B&G Foods	5,827

The summary of material portfolio changes represents the 20 largest purchases and sales during the year.

## LF MITON US OPPORTUNITIES FUND STATEMENT OF TOTAL RETURN

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
Income:					
Net capital gains	3		44,781		48,763
Revenue	4	3,817		2,442	
Expenses	5	(3,134)		(1,948)	
Interest payable and similar charges	7	(4)		(1)	
Net revenue before taxation		679		493	
Taxation	6	(526)		(321)	
Net revenue after taxation			153		172
<b>Total return before distributions</b>			44,934		48,935
Distributions	8		(164)		(180)
<b>Change in net assets attributable to shareholders from investment activities</b>			44,770		48,755

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 May 2018

	Notes	£'000	31 May 2018 £'000	£'000	31 May 2017 £'000
<b>Opening net assets attributable to shareholders</b>			278,428		167,504
Amounts receivable on issue of shares		193,585		109,622	
Amounts payable on redemption of shares		(46,342)		(47,741)	
			147,243		61,881
Dilution levy	1(H)		–		37
Change in net assets attributable to shareholders from investment activities			44,770		48,755
Retained distributions on Accumulation shares	8		175		251
<b>Closing net assets attributable to shareholders</b>			470,616		278,428

## LF MITON US OPPORTUNITIES FUND BALANCE SHEET

as at 31 May 2018

	Notes	31 May 2018 £'000	31 May 2017 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		467,109	268,738
<b>Current assets</b>			
Debtors	9	1,292	826
Cash and bank balances	10	10,971	10,202
<b>Total assets</b>		<u>479,372</u>	<u>279,766</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	10	(5,203)	–
Other creditors	11	(3,553)	(1,338)
<b>Total liabilities</b>		<u>(8,756)</u>	<u>(1,338)</u>
<b>Net assets attributable to shareholders</b>		<u>470,616</u>	<u>278,428</u>

## LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2018

### 1. Accounting Policies

The accounting policies described on pages 19 to 21 have been applied to the financial statements of the Fund in the current and prior year.

### 2. Distribution Policies

The distribution policies described on page 21 have been applied to the financial statements of the Fund in the current and prior year.

### 3. Net Capital Gains

The net capital gains during the year comprise:

	31 May 2018 £'000	31 May 2017 £'000
Non-derivative securities	44,509	47,607
Transaction charges	(1)	(1)
Currency gains	273	1,157
Net capital gains	44,781	48,763

### 4. Revenue

	31 May 2018 £'000	31 May 2017 £'000
Non-taxable dividends	3,746	2,439
Bank interest	71	3
Total revenue	3,817	2,442



## LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 5. Expenses

	31 May 2018 £'000	31 May 2017 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	2,693	1,747
Legal and professional fees	5	5
Typesetting and printing costs	3	6
Registration fees	157	118
	2,858	1,876
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	71	56
Safe custody and other bank charges	12	8
	83	64
Other expenses:		
Audit fees	8	8
Research costs	185	–
	193	8
Total expenses	3,134	1,948

### 6. Taxation

	31 May 2018 £'000	31 May 2017 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	526	321
Current tax charge	526	321
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	526	321

## LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.17: 20%). The difference is explained below:

	31 May 2018 £'000	31 May 2017 £'000
Net revenue before taxation	679	493
Corporation tax at 20%	136	99
Effects of:		
Non-taxable dividends	(749)	(488)
Unutilised excess management expenses	613	389
Corporation tax charge	—	—
Overseas tax	526	321
Total tax charge (note 6a)	526	321

c) Deferred tax

At the year end there is a potential deferred tax asset of £1,450,000 (31.05.17: £837,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

### 7. Interest Payable and Similar Charges

	31 May 2018 £'000	31 May 2017 £'000
Interest payable	4	1
Total interest payable and similar charges	4	1

### 8. Distributions

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

	31 May 2018 £'000	31 May 2017 £'000
Final	175	251

## **LF MITON US OPPORTUNITIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
Add: Revenue deducted on redemption of shares	1	50
Deduct: Revenue received on issue of shares	(12)	(121)
Net distributions for the year	164	180

Details of the distributions per share are set out in the table on page 199.

	31 May 2018 £'000	31 May 2017 £'000
Distributions represented by:		
Net revenue after taxation	153	172
Allocations to capital:		
Revenue deficit	11	8
Net distributions for the year	164	180

### **9. Debtors**

	31 May 2018 £'000	31 May 2017 £'000
Amounts receivable for issue of shares	954	692
Accrued revenue:		
Non-taxable dividends	336	131
Taxation recoverable:		
Overseas withholding tax	2	3
Total debtors	1,292	826

### **10. Cash and Bank Balances**

	31 May 2018 £'000	31 May 2017 £'000
Bank balances	10,971	10,202
Total cash and bank balances	10,971	10,202

## LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

	31 May 2018 £'000	31 May 2017 £'000
Bank overdraft	5,203	–
Total bank overdraft	5,203	–

### 11. Other Creditors

	31 May 2018 £'000	31 May 2017 £'000
Amounts payable for redemption of shares	24	26
Purchases awaiting settlement	3,203	1,104
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	290	177
Typesetting and printing costs	1	1
Registration fees	15	7
	306	185
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	7	5
Transaction charges	1	–
Safe custody and other bank charges	4	1
	12	6
Other expenses	8	17
Total other creditors	3,553	1,338

### 12. Related Party Transactions

Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the ACD'), registration fees payable to Link Fund Administrators Limited and typesetting and printing costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

## LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 187 and amounts due at the year end are disclosed in notes 9 and 11.

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

Fundsettle Nominees Ltd. 45.47% (31.05.17: 55.92%)

Link Fund Solutions Limited and its associates (including authorised investment funds managed by Link Fund Solutions or its associates) held 3,202 (31.05.17: 3,312) of the Fund's shares at the balance sheet date.

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.17: none).

### 14. Shares in Issue

	'A' Retail Accumulation	'B' Institutional Accumulation
Annual Management Charge	1.50%	0.75%
Opening shares in issue	743,327	143,362,246
Issues	206,808	94,658,629
Redemptions	(71,808)	(22,218,682)
Conversions	(17,921)	17,246
Closing shares in issue	860,406	215,819,439

### 15. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

## **LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS** *continued*

**for the year ended 31 May 2018**

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

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

### **(A) CREDIT RISK**

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

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

### **(B) INTEREST RATE RISK**

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

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

### **(C) FOREIGN CURRENCY RISK**

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

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

## LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

The table below shows the direct foreign currency risk profile:

	31 May 2018 £'000	31 May 2017 £'000
Currency:		
US dollars	470,188	278,423
Pounds sterling	428	5
Net assets	<u>470,616</u>	<u>278,428</u>

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £23,509,000 on the net assets of the Fund (31.05.17: £13,921,000).

### (D) LEVERAGE

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

### (E) LIQUIDITY RISK

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

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

All financial liabilities are payable in one year or less, or on demand.

### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £23,355,000 (31.05.17: £13,437,000). A 5% decrease would have an equal and opposite effect.

### (G) DERIVATIVES

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

## LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2018

### 16. Portfolio Transaction Costs

31 May 2018	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	373,628	409	–	374,037
Purchases total	373,628	409	–	374,037
<i>Transaction cost % of purchases total</i>		0.11%	–	
<i>Transaction cost % of average NAV</i>		0.12%	–	
Ordinary shares	220,234	(260)	(5)	219,969
Sales total	220,234	(260)	(5)	219,969
<i>Transaction cost % of sales total</i>		0.12%	–	
<i>Transaction cost % of average NAV</i>		0.07%	–	

Average portfolio dealing spread at 31.05.18 is 0.02% (31.05.17: 0.03%).

31 May 2017	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	205,126	376	–	205,502
Purchases total	205,126	376	–	205,502
<i>Transaction cost % of purchases total</i>		0.18%	–	
<i>Transaction cost % of average NAV</i>		0.16%	–	
Ordinary shares	144,954	(271)	(3)	144,680
Sales total	144,954	(271)	(3)	144,680
<i>Transaction cost % of sales total</i>		0.19%	–	
<i>Transaction cost % of average NAV</i>		0.12%	–	



## **LF MITON US OPPORTUNITIES FUND NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2018

### **17. Fair Value Hierarchy**

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

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

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

**Level 3:** Valuation techniques using unobservable inputs.

All of the Fund's investments in the current and prior year are ordinary shares – all categorised as Level 1.

### **18. Subsequent Events**

As at 6 September 2018, the net asset value of the Fund has risen by 19% compared to that at 31 May 2018, primarily due to the issue of shares and the rise in the value of securities held. These accounts were approved on 7 September 2018.

## LF MITON US OPPORTUNITIES FUND DISTRIBUTION TABLE

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

### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes. Where it is elected to carry forward the distribution at the interim allocation dates, the final distribution is deemed to run for the whole of that period.

Group 2	Interim	Final
From	1 June 2017	1 December 2017
To	30 November 2017	31 May 2018

### 'A' RETAIL ACCUMULATION SHARES

There were no distributions in the current or prior year.

### 'B' INSTITUTIONAL ACCUMULATION SHARES

There were no distributions in the current or prior interim.

Final	Net Revenue	Equalisation	Allocation 31 July 2018	Allocated 31 July 2017
Group 1	0.0809	–	0.0809	0.1754
Group 2	0.0619	0.0190	0.0809	0.1754

## **LF MITON US SMALLER COMPANIES FUND ACD'S REPORT**

for the period from 14 March 2018 to 31 May 2018

### **Important Information**

Refer to the 'Important Information' section on pages 9 and 10.

### **Investment Objective and Policy**

LF Miton US Smaller Companies Fund ('the Fund') aims to achieve capital growth.

At least 80% of the Fund will invest in the shares of smaller companies listed, quoted or traded in the United States of America. The smaller companies that the Fund invests in will have a market value of US\$100 million to US\$6 billion at the time of purchase.

The Fund may also invest in the shares of other companies (regardless of size or geography) collective investment schemes, cash, money market instruments, other transferable securities (including fixed interest securities). Derivatives and forward transactions may be used for the purposes of Efficient Portfolio Management.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton US Smaller Companies Fund

*7 September 2018*

## LF MITON US SMALLER COMPANIES FUND INVESTMENT MANAGER'S REPORT

for the period from 14 March 2018 to 31 May 2018

### Fund Performance

The Fund's 'B' Accumulation shares rose 10.1%<sup>1</sup> compared to an 8.3%<sup>1</sup> gain for the Russell 2000 Index (Sterling adjusted) during the reporting period (see Contributors and Detractors from Performance section below).

### Economic/Market Review

US Smaller companies produced relatively good returns for investors since the Fund was launched. The small cap Russell 2000 Index gained 3.3% in Dollar terms outpacing a fall of 1.3% for the blue chip S&P 500 Index barometer. The key factors behind the superior returns were:

Growing fears of a global trade war

Economic data suggesting the current period of steady domestic growth was sustainable.

US smaller companies are not large exporters to international markets. As a result, the sector stands to be less impacted by a slowdown in global trade should President Trump's proposed tariffs on imported steel and aluminium result in retaliatory protectionist measures being taken by America's trading partners.

Encouraging domestic economic data also prompted investors to revisit smaller capitalised stocks. There were strong readings on new housing starts, new home sales, building permits and industrial production. Consumer confidence remained high and was reflected in a pick-up in better than expected durable goods orders. First quarter GDP was 2.3% – above forecasts of 2.0%.

### Contributors to and Detractors from Performance

Significant positive contributors to the Fund's performance over the period included Inogen, Tactile Systems Technology and The Trade Desk with these stocks adding 0.65%, 0.61% and 0.50% respectively to the Fund's return respectively.

Inogen sells portable oxygen concentrators directly to patients and is disrupting the established business model in home oxygen therapy delivery. Patients requiring oxygen at home have traditionally had it delivered in heavy tanks which require refilling on a regular basis – a cumbersome and expensive process. Inogen's products provide an unlimited supply of oxygen in a small, lightweight device which allows far greater patient freedom of movement for a lower cost. Investors bid up the shares in anticipation of very strong sales results.

Tactile Systems Technology provides medical devices which help patients suffering from chronic diseases to live better and care for themselves at home. Its main product provides compression therapy for painful skin conditions which saves trips to hospitals and the cost of physician massages. The majority of its patients suffer from Lymphedema which is swelling of the skin often caused by obesity. Analysts raised earnings forecasts after the company's earnings report which showed that revenues grew 35% compared to the same quarter in 2017.

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<sup>1</sup> Source: FE Analytics. The Indices are used by the Investment Manager for comparison; no benchmark is required to be disclosed per the prospectus.

## **LF MITON US SMALLER COMPANIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Contributors to and Detractors from Performance** *continued*

The Trade Desk provides an online platform connecting buyers of advertising to digital advertising inventory including desktop, mobile and social media. Advertisers use the platform to compete in real time for advertising inventory, bypassing the negotiations based models of the past. Demand for the company's capabilities is currently extremely strong and reported sales growth for the first quarter was 61% – well ahead of expectations.

Camping World, LendingTree and PetIQ detracted from performance.

Camping World is a recreational vehicle (RV) dealer catering primarily to camping enthusiasts. The RV dealer industry is extremely fragmented and, as the only publicly listed dealer, Camping World should be able to use its stock to make accretive acquisitions of smaller players. Investors sold the shares after evidence of a slowdown in demand for new vehicles and the fact the company does not have a long trading history (it went public in 2016).

LendingTree operates an online loan marketplace connecting consumers and lenders across a broad array of loan types, including mortgages, personal, student and auto. It matches consumers with multiple lenders, who provide competing quotes for specific loan products. Despite a first quarter earnings report showing continued excellent growth in the business, LendingTree's shares fell because some investors were concerned that operating costs were higher than expected and the company failed to raise its guidance for anticipated profits for the remainder of the year.

PetIQ was founded in 2010 with a goal to bring pet medications (which were historically purchased by pet owners in veterinary clinics) to the retail channel, where pet owners could buy them more affordably in a convenient shopping setting. The company's business appears to be growing nicely but some investors focussed on evidence that the company may be sacrificing profitability in order to win business with new customers. The shares are relatively illiquid and any selling pressure can have a disproportionate impact on the price.

### **Major Changes to the Portfolio**

We bought Kforce Inc and ProPetro Holding Corp.

Kforce specialises in providing recruitment and staffing services to US corporations with an emphasis on Information Technology professionals. We expect demand for its ability to supply IT staff to increase following the recently passed Tax Reform which should encourage companies to boost investment in their IT infrastructures to improve productivity.

ProPetro provides pressure pumping services for oil companies in the Permian Basin region of the US. The Permian Basin is located in the western region of Texas and has an abundance of oil and gas reserves. The company has a strong market position and drilling activity should accelerate with the recent strength in crude oil prices. Its blue chip customer base has some of the most active and well capitalised operators in the Permian. ProPetro's pumping fleets were nearly all built by the same manufacturer which helps streamline repair and maintenance activities and keep operating costs at very competitive levels.

The purchases were financed by cash inflows to the Fund.

## **LF MITON US SMALLER COMPANIES FUND** **INVESTMENT MANAGER'S REPORT** *continued*

### **Outlook**

We expect further gains in US stocks this year as economic activity accelerates. US GDP growth should rise to 3% or more driven by increases in business and consumer spending. We see the current environment as being very similar to the period of expansion in the 1960s where investment tax credits and corporation tax cuts resulted in a surge in capital spending from 1962–66. President Trump's tax reform bears a remarkable resemblance to the fiscal stimulus pushed through by Presidents Kennedy and Johnson which were instrumental in driving in the second longest economic expansion on record, from 1961 to 1969.

The Fund has substantial exposure to smaller companies which should be particularly strong beneficiaries of improving economic conditions in the domestic market. The current business environment is extremely supportive for entrepreneurial management teams developing disruptive business models.

**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

*13 June 2018*

# LF MITON US SMALLER COMPANIES FUND

## FUND INFORMATION

### Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. As the Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

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

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

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

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

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

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

## LF MITON US SMALLER COMPANIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'B' ACCUMULATION SHARES

##### CHANGE IN NET ASSETS PER SHARE

31 May 2018<sup>1</sup>  
pence per share

Opening net asset value per share	100.00
Return before operating charges*	9.66
Operating charges	(0.21)
Return after operating charges	9.45
Distributions	–
Retained distributions on accumulation shares	–
Closing net asset value per share	109.45
* after direct transaction costs of:	0.02

##### PERFORMANCE

Return after charges	9.45%
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##### OTHER INFORMATION

Closing net asset value (£'000)	45
Closing number of shares	40,996
Operating charges	0.96% <sup>2</sup>
Direct transaction costs	0.09% <sup>2</sup>

##### PRICES

Highest share price	110.13
Lowest share price	93.86

<sup>1</sup> From 14 March 2018.

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



## LF MITON US SMALLER COMPANIES FUND

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31 May 2018 <sup>1</sup> pence per share
Opening net asset value per share	100.00
Return before operating charges*	9.62
Operating charges	(0.15)
Return after operating charges	9.47
Distributions	–
Retained distributions on accumulation shares	–
Closing net asset value per share	109.47
* after direct transaction costs of:	0.02

##### PERFORMANCE

Return after charges	9.47%
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##### OTHER INFORMATION

Closing net asset value (£'000)	82,959
Closing number of shares	75,785,560
Operating charges	0.71% <sup>2</sup>
Direct transaction costs	0.09% <sup>2</sup>

##### PRICES

Highest share price	110.15
Lowest share price	93.86

<sup>1</sup> From 14 March 2018.

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

## **LF MITON US SMALLER COMPANIES FUND**

### **FUND INFORMATION** *continued*

#### **Fund Performance**

As the Fund has less than one year's performance, there is insufficient data to provide a useful indication of past performance.

Details of the distributions per share for the period are shown in the Distribution Table on page 226.

#### **RISK WARNING**

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

## LF MITON US SMALLER COMPANIES FUND PORTFOLIO STATEMENT

as at 31 May 2018

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	UNITED STATES		
	OIL & GAS – 2.23%		
	OIL & GAS PRODUCERS – 0.98%		
66,700	ProPetro	815	0.98
	OIL EQUIPMENT, SERVICES & DISTRIBUTION – 1.25%		
11,100	Core Laboratories	1,036	1.25
	TOTAL OIL & GAS	1,851	2.23
	INDUSTRIALS – 21.22%		
	CONSTRUCTION & MATERIALS – 2.31%		
21,300	Patrick Industries	970	1.17
44,200	Summit Materials	944	1.14
		1,914	2.31
	INDUSTRIAL ENGINEERING – 4.21%		
29,900	Altra Industrial	929	1.12
20,000	Astec Industries	879	1.06
12,200	John Bean Technologies	810	0.97
9,700	Proto Labs	879	1.06
		3,497	4.21
	INDUSTRIAL TRANSPORTATION – 3.63%		
47,700	Air Transport	753	0.91
24,800	Forward Air	1,106	1.33
30,800	Hub	1,156	1.39
		3,015	3.63

## LF MITON US SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	SUPPORT SERVICES – 11.07%		
28,000	American Public Education	895	1.08
23,900	AMN Healthcare Services	1,014	1.22
42,300	Carriage Services	799	0.96
76,700	Evolent Health	1,179	1.42
16,100	Grand Canyon Education	1,344	1.62
44,400	Kforce	1,121	1.35
28,700	Mindbody	849	1.03
31,300	Mobile Mini	1,073	1.29
16,000	SiteOne Landscape Supply	910	1.10
		9,184	11.07
	TOTAL INDUSTRIALS	17,610	21.22
	CONSUMER GOODS – 3.06%		
	AUTOMOBILES & PARTS – 1.00%		
17,100	Dorman Products	829	1.00
	FOOD PRODUCERS – 1.37%		
66,400	Freshpet	1,135	1.37
	LEISURE GOODS – 0.69%		
40,200	Camping World	574	0.69
	TOTAL CONSUMER GOODS	2,538	3.06
	HEALTH CARE – 11.30%		
	HEALTH CARE EQUIPMENT & SERVICES – 9.00%		
24,900	Halyard Health	1,027	1.24
11,700	Inogen	1,606	1.94
13,300	Masimo	990	1.19

## LF MITON US SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
27,400	NuVasive	1,056	1.27
36,600	Tactile Systems Technology	1,365	1.65
37,200	Teladoc	1,422	1.71
		<u>7,466</u>	<u>9.00</u>
	PHARMACEUTICALS & BIOTECHNOLOGY – 2.30%		
63,900	PetIQ	919	1.11
39,500	Prestige Brands	992	1.19
		<u>1,911</u>	<u>2.30</u>
	TOTAL HEALTH CARE	<u>9,377</u>	<u>11.30</u>
	CONSUMER SERVICES – 14.26%		
	FOOD & DRUG RETAILERS – 1.12%		
52,800	Diplomat Pharmacy	934	1.12
	GENERAL RETAILERS – 4.36%		
33,700	CarGurus	839	1.01
62,800	Carvana	1,362	1.64
26,700	Ollie's Bargain Outlet	1,418	1.71
		<u>3,619</u>	<u>4.36</u>
	MEDIA – 4.68%		
88,300	QuinStreet	910	1.10
82,300	Quotient Technology	826	0.99
23,300	Shutterstock	830	1.00
20,500	Trade Desk (The)	1,317	1.59
		<u>3,883</u>	<u>4.68</u>
	RESTAURANTS – 2.64%		
28,100	Shake Shack	1,259	1.51
24,600	Wingstop Restaurants	936	1.13
		<u>2,195</u>	<u>2.64</u>

## LF MITON US SMALLER COMPANIES FUND

### PORTFOLIO STATEMENT *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	TRAVEL & LEISURE – 1.46%		
40,700	Planet Fitness	1,211	1.46
	TOTAL CONSUMER SERVICES	11,842	14.26
	TELECOMMUNICATIONS – 1.13%		
	FIXED LINE TELECOMMUNICATIONS – 1.13%		
108,500	Vonage	934	1.13
	FINANCIALS – 26.00%		
	BANKS – 19.37%		
35,200	BancorpSouth Bank	886	1.07
35,200	BankUnited	1,115	1.34
28,400	BofI	879	1.06
41,100	Cadence Bancorp	902	1.09
28,800	Carolina Financial	947	1.14
28,300	FB Financial	870	1.05
27,000	First Merchants	923	1.11
38,800	Horizon Bancorp	914	1.10
20,400	Independent Bank	1,152	1.39
58,500	Meridian Bancorp	857	1.03
26,500	Pacific Premier Bancorp	821	0.99
24,100	Preferred Bank	1,153	1.39
42,800	Seacoast Banking Corporation of Florida	1,002	1.21
48,700	TriState Capital	939	1.13
27,500	Triumph Bancorp	847	1.02
41,100	Veritex	949	1.14
23,500	WSFS Financial	924	1.11
		16,080	19.37

## **LF MITON US SMALLER COMPANIES FUND** **PORTFOLIO STATEMENT** *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	FINANCIAL SERVICES – 6.63%		
43,200	Financial Engines	1,450	1.75
17,500	Green Dot 'A'	937	1.13
20,100	HealthEquity	1,122	1.35
4,100	LendingTree	798	0.96
41,200	PRA	1,195	1.44
		<u>5,502</u>	<u>6.63</u>
	TOTAL FINANCIALS	<u>21,582</u>	<u>26.00</u>
	TECHNOLOGY – 18.12%		
	SOFTWARE & COMPUTER SERVICES – 17.02%		
14,000	2U	997	1.20
29,600	BlackLine	925	1.11
7,700	CACI International	964	1.16
20,500	Envestnet	815	0.98
32,400	Everbridge	1,121	1.35
68,100	Nuance Communications	691	0.83
26,200	Nutanix	1,052	1.27
29,300	Okta	1,238	1.49
10,800	Paycom Software	856	1.03
33,700	Q2	1,444	1.74
15,300	Qualys	884	1.07
43,100	Rapid7	1,026	1.24
22,400	RealPage	988	1.19
42,000	Upland Software	1,129	1.36
		<u>14,130</u>	<u>17.02</u>
	TECHNOLOGY HARDWARE & EQUIPMENT – 1.10%		
56,700	Pure Storage	914	1.10
	TOTAL TECHNOLOGY	<u>15,044</u>	<u>18.12</u>

**LF MITON US SMALLER COMPANIES FUND**  
**PORTFOLIO STATEMENT** *continued*

Holding	Portfolio of Investments	Value £'000	31 May 2018 %
	Portfolio of investments	80,778	97.32
	Net other assets	2,226	2.68
	Net assets	83,004	100.00

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



## LF MITON US SMALLER COMPANIES FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the period from 14 March 2018 to 31 May 2018

Total purchases for the period £'000 (note 15)	73,645
Major purchases	Cost £'000
Grand Canyon Education	1,220
PetIQ	1,156
PRA	1,144
Teladoc	1,140
Q2	1,135
Prefered Bank	1,130
Ollie's Bargain Outlet	1,122
Planet Fitness	1,121
Camping World	1,091
BankUnited	1,077
Inogen	1,064
Financial Engines	1,061
Independent Bank	1,054
LendingTree	1,020
Hub	1,018
Nutanix	1,012
Altra Industrial	1,008
Forward Air	1,002
AMN Healthcare Services	1,002
Mobile Mini	1,000

The summary of material portfolio changes represents the 20 largest purchases during the period.

There were no sales during the period.

## LF MITON US SMALLER COMPANIES FUND STATEMENT OF TOTAL RETURN

for the period from 14 March 2018 to 31 May 2018

	Notes	£'000	31 May 2018 <sup>1</sup> £'000
Income:			
Net capital gains	3		7,354
Revenue	4	63	
Expenses	5	(112)	
Net expense before taxation		(49)	
Taxation	6	(8)	
Net expense after taxation			(57)
<b>Total return before distributions</b>			<b>7,297</b>
Distributions	7		—
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>7,297</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the period from 14 March 2018 to 31 May 2018

	£'000	31 May 2018 <sup>1</sup> £'000
<b>Opening net assets attributable to shareholders</b>		—
Amounts receivable on issue of shares	75,707	
Change in net assets attributable to shareholders from investment activities		7,297
<b>Closing net assets attributable to shareholders</b>		<b>83,004</b>

<sup>1</sup> No comparative figures are presented for the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders and the related notes as this is the Fund's first annual reporting period; the Fund launched on 14 March 2018.

## LF MITON US SMALLER COMPANIES FUND BALANCE SHEET

as at 31 May 2018

	Notes	31 May 2018 <sup>1</sup> £'000
<b>ASSETS</b>		
<b>Fixed assets</b>		
Investments		80,778
<b>Current assets</b>		
Debtors	8	410
Cash and bank balances	9	1,921
<b>Total assets</b>		<u>83,109</u>
<b>LIABILITIES</b>		
<b>Creditors</b>		
Bank overdraft	9	(55)
Other creditors	10	(50)
<b>Total liabilities</b>		<u>(105)</u>
<b>Net assets attributable to shareholders</b>		<u>83,004</u>

<sup>1</sup> No comparative figures are presented for the Balance Sheet and the related notes as this is the Fund's first reporting period; the Fund launched on 14 March 2018.

## LF MITON US SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS

for the period from 14 March 2018 to 31 May 2018

### 1. Accounting Policies

The accounting policies described on pages 19 to 21 have been applied to the financial statements of the Fund in the current period.

### 2. Distribution Policies

The distribution policies described on page 21 have been applied to the financial statements of the Fund in the current period.

### 3. Net Capital Gains

The net capital gains during the period comprise:

For the period from  
14 March 2018  
to 31 May 2018  
£'000

Non-derivative securities	7,140
Transaction charges	(1)
Currency gains	215
Net capital gains	7,354

### 4. Revenue

For the period from  
14 March 2018  
to 31 May 2018  
£'000

Non-taxable dividends	56
Bank interest	7
Total revenue	63

## LF MITON US SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 14 March 2018 to 31 May 2018

### 5. Expenses

For the period from  
14 March 2018  
to 31 May 2018  
£'000

Payable to the ACD, associates of the ACD and agents of either of them:	
Annual Management Charge	79
Legal and professional fees	4
Typesetting costs	2
Registration fees	5
	90
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	6
Other expenses:	
Audit fees	8
Research costs	8
Total expenses	112

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

### 6. Taxation

For the period from  
14 March 2018  
to 31 May 2018  
£'000

a) Analysis of charge for the period	
Corporation tax at 20%	–
Overseas tax	8
Current tax charge	8
Deferred tax – origination and reversal of timing differences (note 6c)	–
Total taxation (note 6b)	8

## LF MITON US SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 14 March 2018 to 31 May 2018

b) Factors affecting the tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK for an authorised fund (20%) the difference is explained below:

	For the period from 14 March 2018 to 31 May 2018 £'000
Net expense before taxation	(49)
Corporation tax at 20%	(10)
Effects of:	
Non-taxable dividends	(11)
Unutilised excess management expenses	21
Corporation tax charge	—
Overseas tax	8
Total tax charge (note 6a)	8

c) Deferred tax

At the period end there is a potential deferred tax asset of £21,000 in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current period.

## 7. Distributions

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

	For the period from 14 March 2018 to 31 May 2018 £'000
Net distributions for the period	—

Details of the distributions per share are set out in the table on page 226.

## LF MITON US SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 14 March 2018 to 31 May 2018

For the period from  
14 March 2018  
to 31 May 2018  
£'000

Distributions represented by:	
Net expense after taxation	(57)
Allocations to capital:	
Revenue deficit	57
Net distributions for the period	—

### 8. Debtors

31 May 2018  
£'000

Amounts receivable for issue of shares	398
Accrued revenue:	
Non-taxable dividends	12
Total debtors	410

### 9. Cash and Bank Balances

31 May 2018  
£'000

Bank balances	1,921
Total cash and bank balances	1,921
Bank overdraft	55
Total bank overdraft	55

## LF MITON US SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 14 March 2018 to 31 May 2018

### 10. Other Creditors

	31 May 2018 £'000
Accrued expenses:	
Amounts payable to the ACD, associates of the ACD and agents of either of them:	
Annual Management Charge	34
Typesetting and printing costs	2
Registration fees	2
	38
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	2
Transaction charges	1
	3
Other expenses	9
Total other creditors	50

### 11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 215 and amounts due at the period end are disclosed in note 8.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 1,797 of the Fund's shares at the balance sheet date.

At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Fundsettle Nominees Ltd.	90.60%
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## **LF MITON US SMALLER COMPANIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the period from 14 March 2018 to 31 May 2018

### **12. Contingent Liabilities and Commitments**

There are no contingent liabilities or unrecorded outstanding commitments.

### **13. Shares in Issue**

	'B' Accumulation	'F' Accumulation
Annual Management Charge	0.75%	0.50%
Opening shares in issue	–	–
Issues	40,996	75,785,560
Closing shares in issue	40,996	75,785,560

### **14. Risk Management Policies**

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

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

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

#### **(A) CREDIT RISK**

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

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the

**LF MITON US SMALLER COMPANIES FUND**  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the period from 14 March 2018 to 31 May 2018

Investment Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

**(B) INTEREST RATE RISK**

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

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

**(C) FOREIGN CURRENCY RISK**

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

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	31 May 2018 £'000
US dollars	82,912
Pounds sterling	92
Net assets	83,004

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £4,146,000 on the net assets of the Fund.

**(D) LEVERAGE**

The Fund did not employ any significant leverage during the current period.

**(E) LIQUIDITY RISK**

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

## LF MITON US SMALLER COMPANIES FUND NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 14 March 2018 to 31 May 2018

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

All financial liabilities are payable in one year or less, or on demand.

### (F) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement.

Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £4,039,000. A 5% decrease would have an equal and opposite effect.

### (G) DERIVATIVES

The Fund held no derivatives during the current period.

## 15. Portfolio Transaction Costs

31 May 2018	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	73,631	14	–	73,645
Purchases total	73,631	14	–	73,645
<i>Transaction cost % of purchases total</i>		0.02%	–	
<i>Transaction cost % of average NAV</i>		0.02%	–	

There were no sales during the period.

Average portfolio dealing spread as at 31.05.18 is 0.07%.

## **LF MITON US SMALLER COMPANIES FUND** **NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the period from 14 March 2018 to 31 May 2018

### **16. Fair Value Hierarchy**

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

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

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

**Level 3:** Valuation techniques using unobservable inputs.

All of the Fund's investments in the current period are ordinary shares categorised as Level 1.

### **17. Subsequent Events**

As at 6 September 2018, the net asset value of the Fund has risen by 27% compared to that at 31 May 2018, primarily due to the issue of shares and the rise in the value of securities held. These accounts were approved on 7 September 2018.

**LF MITON US SMALLER COMPANIES FUND  
DISTRIBUTION TABLE**

for the period from 14 March 2018 to 31 May 2018

There were no distributions during the period.

## GENERAL INFORMATION

### Structure of the Company

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

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

LF Miton European Opportunities Fund  
LF Miton Fundamental UK Long/Short Equity Fund (this sub-fund has not yet launched)  
LF Miton Global Infrastructure Fund  
LF Miton UK Multi Cap Income Fund  
LF Miton UK Smaller Companies Fund  
LF Miton UK Value Opportunities Fund  
LF Miton US Opportunities Fund  
LF Miton US Smaller Companies Fund (launched 14 March 2018)

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

### Classes of Shares

The Company can issue Income and Accumulation classes of share.

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

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

### Valuation Point

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

### Buying and Selling Shares

The ACD will accept orders to deal in the shares on normal business days between 8.30am and 5.30pm (London time) and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be either in writing to: PO Box 389, Darlington DL1 9UF or by telephone on 0345 606 6182.

## **GENERAL INFORMATION** *continued*

### **Prices**

The prices of all shares are published on the website of the ACD: [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), and on the Investment Manager's website: [www.mitongroup.com](http://www.mitongroup.com). The prices of shares may also be obtained by calling 0345 606 6182 during the ACD's normal business hours.

### **Other Information**

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

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

### **Data Protection Act**

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







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