

# LF Miton Investment Funds 3

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2019



**LF Miton European Opportunities Fund**

**LF Miton Global Infrastructure Income 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**

## AUTHORISED CORPORATE DIRECTOR ('ACD')

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(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 (resigned 30 June 2019)  
K.J. Midl  
A.J. Stuart

## 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  
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(Authorised and regulated by the Financial Conduct Authority)

## INDEPENDENT AUDITOR

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### ERNST & YOUNG LLP

Atria One  
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Edinburgh EH3 8EX

## CONTENTS

ACD's Report . . . . .	9
Authorised Status . . . . .	9
Important Information . . . . .	9
Cross Holdings . . . . .	10
Remuneration Policy . . . . .	10
Securities Financing Transactions . . . . .	12
Director's Statement . . . . .	13
Statement of ACD's Responsibilities . . . . .	14
Statement of Depositary's Responsibilities . . . . .	15
Report of the Depositary . . . . .	15
Independent Auditor's Report to the Members of LF Miton Investment Funds 3 . . . . .	16
Accounting and Distribution Policies . . . . .	19

**CONTENTS** *continued*

**LF MITON EUROPEAN OPPORTUNITIES FUND**

ACD's Report . . . . .	23
Important Information . . . . .	23
Investment Objective and Policy . . . . .	23
Investment Manager's Report . . . . .	24
Fund Information . . . . .	27
Portfolio Statement . . . . .	32
Summary of Material Portfolio Changes . . . . .	35

**FINANCIAL STATEMENTS**

Statement of Total Return . . . . .	36
Statement of Change in Net Assets Attributable to Shareholders . . . . .	36
Balance Sheet . . . . .	37
Notes to the Financial Statements . . . . .	38
Distribution Table . . . . .	49

**CONTENTS** *continued*

**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND**

ACD's Report . . . . .	50
Important Information . . . . .	50
Investment Objective and Policy . . . . .	50
Investment Manager's Report . . . . .	51
Fund Information . . . . .	54
Portfolio Statement . . . . .	60
Summary of Material Portfolio Changes . . . . .	64

**FINANCIAL STATEMENTS**

Statement of Total Return . . . . .	65
Statement of Change in Net Assets Attributable to Shareholders . . . . .	65
Balance Sheet . . . . .	66
Notes to the Financial Statements . . . . .	67
Distribution Table . . . . .	78

**CONTENTS** *continued*

**LF MITON UK MULTI CAP INCOME FUND**

ACD's Report . . . . .	81
Important Information . . . . .	81
Investment Objective and Policy . . . . .	81
Investment Manager's Report . . . . .	82
Fund Information . . . . .	85
Portfolio Statement . . . . .	91
Summary of Material Portfolio Changes . . . . .	101

**FINANCIAL STATEMENTS**

Statement of Total Return . . . . .	102
Statement of Change in Net Assets Attributable to Shareholders . . .	102
Balance Sheet . . . . .	103
Notes to the Financial Statements . . . . .	104
Distribution Table . . . . .	116

**CONTENTS** *continued*

**LF MITON UK SMALLER COMPANIES FUND**

ACD's Report . . . . .	119
Important Information . . . . .	119
Investment Objective and Policy . . . . .	119
Investment Manager's Report . . . . .	120
Fund Information . . . . .	124
Portfolio Statement . . . . .	130
Summary of Material Portfolio Changes . . . . .	137

**FINANCIAL STATEMENTS**

Statement of Total Return . . . . .	138
Statement of Change in Net Assets Attributable to Shareholders . . .	138
Balance Sheet . . . . .	139
Notes to the Financial Statements . . . . .	140
Distribution Table . . . . .	150



**CONTENTS** *continued*

**LF MITON UK VALUE OPPORTUNITIES FUND**

ACD's Report . . . . .	151
Important Information . . . . .	151
Investment Objective and Policy . . . . .	151
Investment Manager's Report . . . . .	152
Fund Information . . . . .	154
Portfolio Statement . . . . .	160
Summary of Material Portfolio Changes . . . . .	166

**FINANCIAL STATEMENTS**

Statement of Total Return . . . . .	167
Statement of Change in Net Assets Attributable to Shareholders . . . . .	167
Balance Sheet . . . . .	168
Notes to the Financial Statements . . . . .	169
Distribution Table . . . . .	179

**CONTENTS** *continued*

**LF MITON US OPPORTUNITIES FUND**

ACD's Report . . . . . 181

    Important Information . . . . . 181

    Investment Objective and Policy . . . . . 181

    Investment Manager's Report . . . . . 182

    Fund Information . . . . . 189

    Portfolio Statement . . . . . 193

    Summary of Material Portfolio Changes . . . . . 196

**FINANCIAL STATEMENTS**

Statement of Total Return . . . . . 197

Statement of Change in Net Assets Attributable to Shareholders . . . 197

Balance Sheet . . . . . 198

Notes to the Financial Statements . . . . . 199

Distribution Table . . . . . 209

**CONTENTS** *continued*

**LF MITON US SMALLER COMPANIES FUND**

ACD's Report . . . . .	.210
Important Information . . . . .	.210
Investment Objective and Policy . . . . .	.210
Investment Manager's Report . . . . .	.211
Fund Information . . . . .	.218
Portfolio Statement . . . . .	.222
Summary of Material Portfolio Changes . . . . .	.228

**FINANCIAL STATEMENTS**

Statement of Total Return . . . . .	.229
Statement of Change in Net Assets Attributable to Shareholders . . . . .	.229
Balance Sheet . . . . .	.230
Notes to the Financial Statements . . . . .	.231
Distribution Table . . . . .	.241
General Information . . . . .	.242

## ACD'S REPORT

for the year ended 31 May 2019

### 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 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.

With effect from 1 January 2019, the following changes took place:

- **Research Payment Charge** – The Research Payment Charge will now be collected via a daily charge to each sub-fund. Previously this was collected via third party brokers. This does not impact the amount of money collected for the cost of research; and
- **OCF Cap** – A reduction to the cap applicable to the ongoing charges figure, applicable to the LF Miton Global Infrastructure Income Fund.

Further details are available in the latest scheme Prospectus.

In accordance with new rules, issued by the Financial Conduct Authority, which took effect from 7 August 2019:

- FTSE World Europe ex UK and IA Europe Ex UK Sector were added as Comparator Benchmarks for LF Miton European Opportunities Fund;
- IA Global Equity Income Sector was added as a Comparator Benchmark for LF Miton Global Infrastructure Income Fund;
- FTSE All Share Total Return Index, FTSE Alternative Investment Market (AIM) All Share Index and IA UK Equity Income Sector were added as Comparator Benchmarks for LF Miton UK Multi Cap Income Fund;
- FTSE Small Cap ex Investment Trust Index, FTSE Alternative Investment Market (AIM) All Share Index and IA UK Smaller Companies Sector were added as Comparator Benchmarks for LF Miton UK Smaller Companies Fund;

## ACD'S REPORT *continued*

### Important Information *continued*

- FTSE All Share Total Return Index and IA UK All Companies Sector were added as Comparator Benchmarks for LF Miton UK Value Opportunities Fund;
- IA North America Sector was added as a Comparator Benchmark for LF Miton US Opportunities Fund; and
- Russell 2000 and IA North American Smaller Companies Sector were added as Comparator Benchmarks for LF Miton US Smaller Companies Fund.

### 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. However, following the acquisition by Link Administration Holdings Limited on 3 November 2017, LFSL changed its accounting reference date to 30 June to align with that of its new parent, and its most recent account period was therefore for the six months to 30 June 2018. To provide investors with transparency and comparability, this report includes remuneration disclosures for both this shortened accounting period and the previous one, for the calendar year ended 31 December 2017. As at 30 June 2018, LFSL operated 96 UCITS and 59 AIFs (31.12.17: 95 UCITS and 59 AIFs), whose respective assets under management ('AuM') were £39,632 million and £17,801 million (31.12.17: £41,425 million and £16,780 million). This Company was valued at £2,789 million as at 30 June 2018 and represented 4.86% of LFSL's total AuM and 7.04% of its UCITS AuM (31.12.17: this Company was valued at £2,169 million and represented 3.73% of LFSL's total AuM and 5.24% of its UCITS AuM).

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

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

2018	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial period to 30 June 2018	149	3,249	924	4,173
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial period to 30 June 2018				
Senior management (including all Board members)	6	356	348	704
Staff engaged in control functions	4	182	59	241
Risk takers and other identified staff	15	561	205	766
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–

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

LFSL's remuneration arrangement include 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.

## **ACD'S REPORT** *continued*

### **Remuneration Policy** *continued*

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

16 September 2019

## DIRECTOR'S STATEMENT

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

**N. BOYLING**

**LINK FUND SOLUTIONS LIMITED**

ACD of LF Miton Investment Funds 3

*16 September 2019*



## STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority ('the COLL Sourcebook') requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Company, comprising each of its sub-funds, and of the net revenue/expense and net capital gains/losses on the property of the Company's sub-funds for the year.

In preparing the financial statements the ACD is responsible for:

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

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

## 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

16 September 2019

## 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 2019 which comprise the Statement of Total Return and Statement of Change 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 2019 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 including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

### 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 have 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 follow 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 ACDs' responsibilities statement set out on page 14, 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

Edinburgh

16 September 2019

## ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 31 May 2019

### 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.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Reportable income from funds with 'reporting fund' status for UK tax purposes is recognised when the information is made available by the reporting fund.

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

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

The treatment of the income on derivative contracts is dependent upon the nature of the transaction. To determine whether the returns should be treated as capital or revenue the motive and circumstances of the transaction are used. Where positions are undertaken to protect or enhance capital, the returns are recognised in net capital gains; similarly where positions are taken to generate or protect revenue, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

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.

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

### (C) TREATMENT OF EXPENSES

All expenses, except for those relating to the purchase and sale of investments, 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 1.00% and does not exceed 0.90% 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 deemed more appropriate by the ACD.

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

### (E) TAXATION

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

Offshore income gains, from funds without reporting status, are liable to corporation tax at 20% and any resulting charge is deducted from capital.

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.

Collective investment schemes are valued at published bid prices for dual priced funds and at published prices for single priced funds.

Open forward currency contracts are valued based on the difference between the contract value and the market value adjusted by the prevailing spot rate and swap curve.

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

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.

### (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.



## **ACCOUNTING AND DISTRIBUTION POLICIES** *continued*

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 2019

### **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  
*16 September 2019*

## LF MITON EUROPEAN OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2019

#### Performance

Over the year, the Fund returned +8.0% in Sterling, by way of a comparison the FTSE World Europe ex UK Index returned +1.8%<sup>1</sup>. The average of our peer group in the IA Europe Excluding UK Sector returned -3.3%. This performance ranks the Fund first out of 117 funds in its peer group over the past year and the best performing fund in its sector since inception.

#### Overview

We look for strong businesses with tremendous potential to compound their earnings over the long-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 the average company.

However, a static 'as is' situation is not enough, as 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 high technology engineering. Family shareholdings are common, which we like very much in contrast to 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 just one of the top 10 stockmarket index names, and just under two thirds (62%) of the Fund is in medium sized companies (with a market capitalisation between £1bn and £10bn).

We approach valuation by thinking about what the company's profit will look like in the long-term, and then thinking about what we would pay for a business, with those characteristics in that year. If this potential 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 the visible short-term. This will get even better as computer algorithms are replaced by true artificial intelligence. We believe it is very important not to take the machines head on. We focus on the long-term. Is this fundamentally a good company and if they execute, could this be a much larger business?

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

## LF MITON EUROPEAN OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### 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, macroeconomic tilt or the type of holdings we have. As we are not macroeconomic specialists, we aim at all times to have no net macro exposure. If you like, we aim to outperform with our 'defensives' (a company that tends to be stable regardless of the state of the overall stockmarket) versus the defensive names in the index and we aim to outperform with our 'cyclicals' (a company whose share price is affected by changes in the overall economy) 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 short-term noise.

Over the one year, our performance was relatively broadly based. By way of example, our top three contributors were; GTT, a French designer (and Intellectual Property holder) of Liquefied Natural Gas tanks, Sartorius Stedim Biotech, a French producer of kits for the manufacturing of biological drugs and Homeserve, a UK provider of home emergency insurance & repair. However, all three are asset light, high returning businesses whose best days, we believe, are ahead of them. A diversification of ideas allows for both performance and risk control. Our Sortino (a measure of downside or negative volatility) and Sharpe (a measure of risk adjusted return) ratios are also the best in our peer group since inception, and first quartile (fifth out of 117 funds for both ratios) over one year.

Portfolio turnover tends to be low, however we did purchase some notable names during the year. Fortnox, a Swedish software company specialising in cloud hosted, smart phone delivered, accounting software to small businesses was our fifth best contributor in the year. Although the penetration of the core accounting software in Sweden appears fully priced, the average revenue per user (ARPU) remains low, the potential for additional modules is great (e.g. payroll) and in time additional countries are an opportunity. A good example of our process. Another technology name we added was ASML during the stockmarket sell-off of October / November 2018. ASML have a near monopoly position in high end lithography – one of the key steps involved in making semiconductors. It is a very good business and weak markets gave us the opportunity to invest.

#### 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 at its new normal of close to zero real economic growth. Political flare ups are a constant risk. The US continues to expand around its new normal trend of 2% GDP growth, but the president remains a wild card. Both the US and Europe are seeing falling bond yields and a flat interest rate curve, and while this might be good for the stock market in the short-term, it doesn't inspire much confidence about the medium-term economic outlook.

## **LF MITON EUROPEAN OPPORTUNITIES FUND**

### **ACD'S REPORT** *continued*

### **INVESTMENT MANAGER'S REPORT** *continued*

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.

We continue to have a bias away from the very largest companies. We look for businesses whose best days are ahead, not behind them.

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

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

**CARLOS MORENO & THOMAS BROWN**

**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

*26 June 2019*

## LF MITON EUROPEAN OPPORTUNITIES FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns 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 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 significant short term swings (both up and down).

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

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

## LF MITON EUROPEAN OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 <sup>1</sup> pence per share
Opening net asset value per share	102.55	100.00
Return before operating charges*	9.88	2.90
Operating charges	(1.69)	(0.35)
Return after operating charges	8.19	2.55
Distributions	(0.03)	(0.54)
Retained distributions on accumulation shares	0.03	0.54
Closing net asset value per share	110.74	102.55
* after direct transaction costs of:	0.11	0.04

##### PERFORMANCE

Return after charges	7.99%	2.55%
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##### OTHER INFORMATION

Closing net asset value (£'000)	3,203	11
Closing number of shares	2,892,074	11,046
Operating charges	1.63%	1.64% <sup>2</sup>
Direct transaction costs	0.10%	0.19% <sup>2</sup>

##### PRICES

Highest share price	114.50	103.76
Lowest share price	91.40	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

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	173.01	152.70	107.86
Return before operating charges*	16.76	21.75	45.95
Operating charges	(1.55)	(1.44)	(1.11)
Return after operating charges	15.21	20.31	44.84
Distributions	(1.08)	(0.89)	(1.26)
Retained distributions on accumulation shares	1.08	0.89	1.26
Closing net asset value per share	188.22	173.01	152.70
* after direct transaction costs of:	0.18	0.31	0.31

##### PERFORMANCE

Return after charges	8.79%	13.30%	41.57%
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##### OTHER INFORMATION

Closing net asset value (£'000)	214,908	22,912	4,734
Closing number of shares	114,177,275	13,243,253	3,100,243
Operating charges	0.88% <sup>1</sup>	0.89% <sup>1</sup>	0.87%
Direct transaction costs	0.10%	0.19%	0.24%

##### PRICES

Highest share price	193.51	175.03	153.07
Lowest share price	154.85	150.10	105.36

<sup>1</sup> Due to a regulatory change, 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 operating charges.



## LF MITON EUROPEAN OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	174.18	153.37	108.07
Return before operating charges*	16.89	21.85	46.10
Operating charges	(1.12)	(1.04)	(0.80)
Return after operating charges	15.77	20.81	45.30
Distributions	(1.38)	(1.14)	(1.24)
Retained distributions on accumulation shares	1.38	1.14	1.24
Closing net asset value per share	189.95	174.18	153.37
* after direct transaction costs of:	0.18	0.31	0.31

##### PERFORMANCE

Return after charges	9.05%	13.57%	41.92%
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##### OTHER INFORMATION

Closing net asset value (£'000)	332,004	248,360	108,959
Closing number of shares	174,789,218	142,584,475	71,042,455
Operating charges	0.63% <sup>1</sup>	0.64% <sup>1</sup>	0.62%
Direct transaction costs	0.10%	0.19%	0.24%

##### PRICES

Highest share price	194.91	176.21	153.74
Lowest share price	156.10	150.80	105.58

<sup>1</sup> Due to a regulatory change, 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 operating charges.

**LF MITON EUROPEAN OPPORTUNITIES FUND**  
**ACD'S REPORT** *continued*  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2019 (%)**

	1 year	3 years	Since launch <sup>1</sup>
LF Miton European Opportunities Fund	8.04	73.42	87.26

<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 49.

**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****ACD'S REPORT** *continued***PORTFOLIO STATEMENT**

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	UNITED KINGDOM – 4.15% (31.05.18 – 4.74%)		
10,716,292	Allergy Therapeutics <sup>1</sup>	1,286	0.24
1,786,090	HomeServe	21,522	3.91
	TOTAL UNITED KINGDOM	22,808	4.15
	EUROPE – 95.63% (31.05.18 – 94.33%)		
	BELGIUM – 2.66% (31.05.18 – 3.23%)		
518,027	Ion Beam Applications	6,577	1.19
184,607	Kinopolis	8,063	1.47
	TOTAL BELGIUM	14,640	2.66
	DENMARK – 4.57% (31.05.18 – 5.39%)		
153,066	Christian Hansen	12,682	2.31
239,324	Ringkjoebing Landbobank	12,453	2.26
	TOTAL DENMARK	25,135	4.57
	FRANCE – 8.53% (31.05.18 – 11.37%)		
131,276	Gaztransport & Technigaz	9,454	1.72
322,188	Lectra	6,068	1.10
88,693	Rémy Cointreau	9,645	1.75
115,322	Sartorius Stedim Biotech	12,633	2.30
140,941	Ubisoft Entertainment	9,127	1.66
	TOTAL FRANCE	46,927	8.53
	GERMANY – 12.08% (31.05.18 – 16.29%)		
98,185	Carl Zeiss Meditec	7,296	1.33
224,421	Delivery Hero	7,623	1.39
95,830	Deutsche Boerse	10,476	1.90
54,922	Hypoport	9,207	1.67
245,303	Scout24	9,660	1.76
94,391	Wirecard	11,721	2.13
33,501	XING	10,456	1.90
	TOTAL GERMANY	66,439	12.08

**LF MITON EUROPEAN OPPORTUNITIES FUND****ACD'S REPORT** *continued***PORTFOLIO STATEMENT** *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	ICELAND – 1.88% (31.05.18 – 0.00%)		
2,816,898	Marel	10,336	1.88
	ITALY – 14.34% (31.05.18 – 16.77%)		
826,222	Amplifon	14,486	2.63
362,964	Brunello Cucinelli	9,037	1.64
1,044,189	Cerved Information Solutions	7,275	1.32
167,254	Ferrari	18,847	3.43
2,081,120	FinecoBank	17,060	3.10
374,174	Recordati	12,201	2.22
	TOTAL ITALY	78,906	14.34
	LUXEMBOURG – 1.47% (31.05.18 – 1.54%)		
22,432	Eurofins Scientific	8,072	1.47
	NETHERLANDS – 11.66% (31.05.18 – 6.04%)		
103,742	ASML	15,529	2.82
158,014	Euronext	8,885	1.62
726,741	GrandVision	12,240	2.22
389,887	Koninklijke Philips	12,218	2.22
505,507	QIAGEN	15,285	2.78
	TOTAL NETHERLANDS	64,157	11.66
	NORWAY – 11.42% (31.05.18 – 7.83%)		
1,706,911	Adevinta	15,093	2.74
1,178,017	Kongsberg Gruppen	12,289	2.23
1,385,430	Protector Forsikring	7,572	1.38
548,635	Schibsted	11,487	2.09
1,097,929	Skandiabanken	7,065	1.28
390,869	Tomra Systems	9,324	1.70
	TOTAL NORWAY	62,830	11.42
	SPAIN – 1.73% (31.05.18 – 3.55%)		
468,979	Grifols	9,524	1.73

## LF MITON EUROPEAN OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	SWEDEN – 8.47% (31.05.18 – 6.60%)		
1,929,444	Avanza Bank	11,018	2.00
258,638	BioGaia	9,164	1.67
1,216,973	Fortnox	12,458	2.26
171,693	Hexagon 'B'	6,296	1.14
376,517	Sweco	7,684	1.40
	TOTAL SWEDEN	46,620	8.47
	SWITZERLAND – 16.82% (31.05.18 – 15.72%)		
2,373	Belimo	9,827	1.79
9,594	Interroll	16,006	2.91
8,930	LEM	9,284	1.69
51,179	Schindler	8,526	1.55
164,829	Sika	19,360	3.52
13,221	Straumann	8,597	1.56
103,843	Temenos	14,277	2.59
77,814	VAT	6,635	1.21
	TOTAL SWITZERLAND	92,512	16.82
	TOTAL EUROPE	526,098	95.63
	FORWARD CURRENCY CONTRACTS – 0.00% (31.05.18 – 0.00%)		
US\$(403,880)	Vs £320,000 (expiry 6/6/2019)	–	–
	Portfolio of investments	548,906	99.78
	Net other assets	1,209	0.22
	Net assets	550,115	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 EUROPEAN OPPORTUNITIES FUND**  
**ACD'S REPORT** *continued*  
**SUMMARY OF MATERIAL PORTFOLIO CHANGES**

for the year ended 31 May 2019

Total purchases for the year £'000 (note 16)	342,303	Total sales for the year £'000 (note 16)	95,564
<b>Major purchases</b>	<b>Cost £'000</b>	<b>Major sales</b>	<b>Proceeds £'000</b>
ASML	14,389	Scout24	15,290
Scout24	14,378	Telepizza	7,418
Koninklijke Philips	13,332	Jungheinrich <i>non-voting preference shares</i>	6,909
FinecoBank	12,513	Rubis	6,728
Wirecard	11,145	Rocket Internet	6,425
Sika	10,380	Wirecard	6,423
Kongsberg Gruppen	10,107	Gaztransport & Technigaz	4,608
Deutsche Boerse	9,579	Moncler	4,470
Marel	9,300	Banca IFIS	4,132
HomeServe	8,926	Carl Zeiss Meditec	3,835

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

**LF MITON EUROPEAN OPPORTUNITIES FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
Income:					
Net capital gains	3		33,223		22,442
Revenue	4	6,670		3,024	
Expenses	5	(2,738)		(1,163)	
Interest payable and similar charges	7	(8)		(7)	
Net revenue before taxation		3,924		1,854	
Taxation	6	(535)		(177)	
Net revenue after taxation			3,389		1,677
<b>Total return before distributions</b>			36,612		24,119
Distributions	8		(3,389)		(1,677)
<b>Change in net assets attributable to shareholders from investment activities</b>			33,223		22,442

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
<b>Opening net assets attributable to shareholders</b>			271,283		113,693
Amounts receivable on issue of shares		263,943		141,546	
Amounts payable on redemption of shares		(21,971)		(8,172)	
			241,972		133,374
Dilution levy	1(H)		–		25
Change in net assets attributable to shareholders from investment activities			33,223		22,442
Retained distributions on Accumulation shares	8		3,637		1,749
<b>Closing net assets attributable to shareholders</b>			550,115		271,283

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 May 2019

	Notes	31.05.19 £'000	31.05.18 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		548,906	268,762
<b>Current assets</b>			
Debtors	9	2,343	3,510
Cash and bank balances	10	6,512	2,747
<b>Total assets</b>		<u>557,761</u>	<u>275,019</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	10	(1,562)	(1,073)
Other creditors	11	(6,084)	(2,663)
<b>Total liabilities</b>		<u>(7,646)</u>	<u>(3,736)</u>
<b>Net assets attributable to shareholders</b>		<u>550,115</u>	<u>271,283</u>



## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2019

#### 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 pages 21 and 22 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:

	31.05.19 £'000	31.05.18 £'000
Non-derivative securities	33,405	22,697
Forward currency contracts	(40)	1
Transaction charges	(18)	(6)
Currency losses	(124)	(250)
Net capital gains	<u>33,223</u>	<u>22,442</u>

#### 4. Revenue

	31.05.19 £'000	31.05.18 £'000
Non-taxable dividends	6,674	3,023
Bank interest	(4)	1
Total revenue	<u>6,670</u>	<u>3,024</u>

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 5. Expenses

	31.05.19 £'000	31.05.18 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	2,248	929
Legal and professional fees	5	5
Typesetting costs	3	3
Registration fees	174	84
	2,430	1,021
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	75	49
Safe custody and other bank charges	52	22
	127	71
Other expenses:		
Audit fees	8	8
Tax services	–	(3)
Research costs	172	66
Other tax related services	1	–
	181	71
Total expenses	2,738	1,163

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

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 6. Taxation

	31.05.19 £'000	31.05.18 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	535	177
Current tax charge	535	177
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	535	177

#### 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%) (31.05.18: 20%). The difference is explained below:

	31.05.19 £'000	31.05.18 £'000
Net revenue before taxation	3,924	1,854
Corporation tax at 20%	785	371
Effects of:		
Non-taxable dividends	(1,334)	(605)
Unutilised excess management expenses	549	234
Corporation tax charge	–	–
Overseas tax	535	177
Total tax charge (note 6a)	535	177

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £903,000 (31.05.18: £354,000) 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 EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 7. Interest Payable and Similar Charges

	31.05.19 £'000	31.05.18 £'000
Interest payable	8	7
Total interest payable and similar charges	8	7

#### 8. Distributions

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

	31.05.19 £'000	31.05.18 £'000
Final	3,637	1,749
Add: Revenue deducted on redemption of shares	5	17
Deduct: Revenue received on issue of shares	(253)	(89)
Net distributions for the year	3,389	1,677

Details of the distributions per share are set out in the table on page 49.

#### 9. Debtors

	31.05.19 £'000	31.05.18 £'000
Amounts receivable for issue of shares	1,604	3,253
Accrued revenue:		
Non-taxable dividends	252	29
Taxation recoverable:		
Overseas withholding tax	487	228
Total debtors	2,343	3,510

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 10. Cash and Bank Balances

	31.05.19 £'000	31.05.18 £'000
Bank balances	6,512	2,747
Total cash and bank balances	6,512	2,747
Bank overdraft	1,562	1,073
Total bank overdraft	1,562	1,073

#### 11. Other Creditors

	31.05.19 £'000	31.05.18 £'000
Amounts payable for redemption of shares	48	1,091
Purchases awaiting settlement	5,689	1,420
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	265	117
Legal and professional fees	–	1
Typesetting costs	1	1
Registration fees	17	11
	283	130
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	8	5
Transaction charges	1	1
Safe custody and other bank charges	3	7
	12	13
Other expenses	52	9
Total other creditors	6,084	2,663

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 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 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.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 13,718 (31.05.18: 13,718) 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:

FundSettle EOC Nominees Ltd	36.91% (31.05.18: 48.16%)
-----------------------------	---------------------------

#### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.18: none).

#### 14. Shares in Issue

	'A' Accumulation	'B' Accumulation	'F' Accumulation
Annual Management Charge	1.50%	0.75%	0.50%
Opening shares in issue	11,046	13,243,253	142,584,475
Issues	3,666,524	106,050,382	39,137,375
Redemptions	(785,496)	(5,025,355)	(7,022,887)
Conversions	–	(91,005)	90,255
Closing shares in issue	<u>2,892,074</u>	<u>114,177,275</u>	<u>174,789,218</u>

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 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.

##### (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.

There were forward currency contracts held at the balance sheet date (31.05.18: none). Details of individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.05.19 Counterparty	Forward currency contracts £'000	Net cash collateral pledged £'000
Bank of New York Mellon	–	–

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### (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. Forward currency contracts are employed by the Investment Manager, where deemed appropriate, to mitigate the foreign exchange risk.

The table below shows the direct foreign currency risk profile:

	31.05.19 Gross £'000	31.05.19 Hedged £'000	31.05.19 Net £'000
Currency:			
Danish krone	25,233	–	25,233
Euros	288,443	–	288,443
Icelandic krona	10,336	–	10,336
Norwegian krone	63,098	–	63,098
Swedish krona	44,399	–	44,399
Swiss francs	92,512	–	92,512
US dollars	–	(320)	(320)
	524,021	(320)	523,701
Pounds sterling	26,094	320	26,414
Net assets	550,115	–	550,115



## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.18 Gross £'000	31.05.18 Hedged £'000	31.05.18 Net £'000
Currency:			
Danish krone	14,679	–	14,679
Euros	160,003	–	160,003
Norwegian krone	21,178	–	21,178
Swedish krona	17,907	–	17,907
Swiss francs	42,189	–	42,189
	<u>255,956</u>	–	<u>255,956</u>
Pounds sterling	15,327	–	15,327
Net assets	<u>271,283</u>	–	<u>271,283</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 £26,185,000 on the net assets of the Fund (31.05.18: £12,798,000).

#### (D) LEVERAGE

The Fund did not employ any significant leverage in 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

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £27,445,000 (31.05.18: £13,438,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature in the current or prior year.

#### 16. Portfolio Transaction Costs

31.05.19	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	341,954	196	153	342,303
Purchases total	<u>341,954</u>	<u>196</u>	<u>153</u>	<u>342,303</u>
<i>Transaction cost % of purchases total</i>		0.06%	0.04%	
<i>Transaction cost % of average NAV</i>		0.05%	0.04%	
Ordinary shares	95,616	(52)	–	95,564
Sales total	<u>95,616</u>	<u>(52)</u>	<u>–</u>	<u>95,564</u>
<i>Transaction cost % of sales total</i>		0.05%	–	
<i>Transaction cost % of average NAV</i>		0.01%	–	

Average portfolio dealing spread at 31.05.19 is 0.25% (31.05.18: 0.32%).

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

31.05.18	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	<u>179,087</u>	<u>195</u>	<u>106</u>	<u>179,388</u>
<i>Transaction cost % of purchases total</i>		<i>0.11%</i>	<i>0.06%</i>	
<i>Transaction cost % of average NAV</i>		<i>0.11%</i>	<i>0.06%</i>	
Ordinary shares	40,066	(41)	–	40,025
Collective investment schemes	5,344	(2)	–	5,342
Sales total	<u>45,410</u>	<u>(43)</u>	<u>--</u>	<u>45,367</u>
<i>Transaction cost % of sales total</i>		<i>0.09%</i>	–	
<i>Transaction cost % of average NAV</i>		<i>0.02%</i>	–	

## 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 (see note 1(F) of the Accounting Policies).

31.05.19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>548,906</u>	<u>–</u>	<u>–</u>	<u>548,906</u>
31.05.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>268,762</u>	<u>–</u>	<u>–</u>	<u>268,762</u>

## 18. Subsequent Events

As at 12 September 2019, the net asset value of the Fund has risen by 37% compared to that at 31 May 2019, primarily due to the issue of shares. These accounts were approved on 16 September 2019.

## LF MITON EUROPEAN OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 May 2019 – 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 interim, the final distribution is deemed to run for the whole year.

Group 2	Final
From	01.06.18
To	31.05.19

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.07.19	Allocated 31.07.18
Group 1	0.0290	–	0.0290	0.5443
Group 2	0.0290	0.0000	0.0290	0.5443

#### 'B' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.07.19	Allocated 31.07.18
Group 1	1.0760	–	1.0760	0.8910
Group 2	0.9002	0.1758	1.0760	0.8910

#### 'F' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.07.19	Allocated 31.07.18
Group 1	1.3773	–	1.3773	1.1436
Group 2	1.2348	0.1425	1.3773	1.1436

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

for the year ended 31 May 2019

### **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

*16 September 2019*

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2019

#### Performance

The Fund's "B" accumulation shares returned 14.6% over the year to 31 May 2019. In comparison, the FTSE Developed Core Infrastructure 50/50 Sterling Total Return Index returned 19.6%<sup>1</sup> over the same period. Within the IA Global Equity Income sector, the Fund was ranked in the first quartile, with the average fund in the sector returning 3.9% over the year.

#### Commentary

The positive return for the Fund for the year to May 2019 came against the backdrop of supportive macroeconomic trends, notably the reversal of the expectation for interest rate rises as global economic growth began to slow. This was a positive driver for the valuation multiples of infrastructure stocks, which are viewed by the equity market as interest-rate sensitive "bond proxies", and so become more attractive as interest rates fall. In addition, there was a reversal of the currency trend experienced in the prior year, as the continued political dislocation in the UK drove the relative weakness of Sterling against the major overseas currencies where the Fund has exposure. In parallel with these supportive macroeconomic trends, many of the individual stocks in the Fund delivered earnings and dividend growth in excess of expectations, providing a further driver of individual share price performance.

Looking through the portfolio at the most significant stock contributions to the Fund's return, the biggest positives were from global telecom towers owner American Tower (stock up 62% in Sterling on a total return basis), Canadian-listed energy infrastructure stocks Enbridge (+31%) and TC Energy (+28%) and US regulated utilities Xcel Energy (+36%) and American Electric Power (+37%). The biggest negative contributions came from telecom network operator Vodafone (-27%), Italian toll road and airport owner Atlantia (-28%), Swiss airport stock Flughafen Zurich (-13%), North American energy infrastructure owner AltaGas (-17%) and UK regulated utility SSE (-15%).

It is also useful to analyse the stock returns in the Fund relative to the FTSE Developed Core Infrastructure 50/50 Sterling Total Return Index over the year to May 2019. The biggest positive relative returns came from the overweights in Xcel Energy and TC Energy, the zero holding in Californian electricity utility PG&E and the off-benchmark holdings in the US-listed renewable energy company Pattern Energy and the Italian-listed utility Enel. The biggest negative relative returns came from Atlantia and from four large index constituents that the Fund did not hold: the Australian toll road operator Transurban, the US telecom tower stock Crown Castle and US regulated utilities Southern Company and Dominion Energy.

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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 GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

#### Portfolio

As at 31 May 2019, the Fund held 46 stocks. There was very little change in the geographic breakdown of the Fund by country of domicile when compared with the prior year. The Fund had 41% invested in US equities (45% last year), 21% in Continental Europe (18%), 17% in Canada (16%), 6% in the UK (7%), 4% in Japan (2%), 3% in Australia (4%) and 3% in Hong Kong (2%). The remaining 5% of the Fund included Chinese, Indonesian and Malaysian stocks and the Fund's small cash balance.

By sector, the Fund held 44% of its assets in regulated utilities and renewables (39% last year), 20% in energy infrastructure stocks (21%), 20% in telecommunications stocks (16%) and 16% in transport infrastructure (22%). The increased weighting to utilities and telecommunications at the expense of transportation infrastructure reflected a modest repositioning of the portfolio, with sales towards the end of the year in the Fund's holdings in US railroads Union Pacific and Norfolk Southern. These stocks represent core holdings for the Fund and have performed extremely well since launch, but have a relatively high correlation to underlying US macroeconomic trends, and with the growing possibility of a slowdown in the US economy, we invested the proceeds in less economically sensitive areas, including renewable electricity generation and telecommunication towers.

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

- Telecommunications network operators Verizon Communications, NTT DoCoMo and Telefonica,
- Sempra Energy, a US-listed company owning electricity networks and gas infrastructure assets,
- China Tower, the owner of 97% of the telecommunication towers in the People's Republic of China, and
- Atlantica Yield, a US-listed vehicle owning renewable generation and electricity transmission assets in the USA, Spain and Latin America.

The five stocks fully divested during the year were Chunghwa Telecom, PNM Resources, PPL, Macquarie Infrastructure Company and Severn Trent.

#### Outlook

After a period of strong performance, with the Fund up by 14.6% over the last year, the inevitable question from existing and potential investors in listed infrastructure is whether valuations now reflect fundamentals, and whether any upside remains. We look very closely at valuations across the infrastructure universe, and strongly believe that at current prices, the 46 stocks in our Fund offer excellent potential for future gains.

## **LF MITON GLOBAL INFRASTRUCTURE INCOME FUND**

### **ACD'S REPORT** *continued*

### **INVESTMENT MANAGER'S REPORT** *continued*

Taking the US regulated utility sector (the Fund's largest individual country and sector weighting, as an example), the sector is trading close to its all-time high premium versus the wider S&P 500 Index. However, the expectation of interest rate cuts from the Federal Reserve provides a very positive fundamental backdrop to utility valuations. In addition, we see the "energy transition" from coal to renewable generation in the USA as providing a significant and sustainable opportunity for many utilities to grow their rate base, earnings and dividends by mid-single digits annually over the next decade, and potentially beyond. This visibility of earnings growth, which will happen regardless of macroeconomic cycles, trade wars or other external influences, makes the sector very attractive to long-term investors. We continue to see attractive valuation opportunities here, and across other areas of listed infrastructure, both in stocks we own and the "watchlist" of stocks where we can potentially invest in the future.

**JIM WRIGHT**  
**MITON ASSET MANAGEMENT LIMITED**

Investment Manager

17 June 2019



## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

#### 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 may invest in stocks with a particular industry or sector and will have a geographical focus. The Fund is therefore more likely to be subject to large swings (both up and down) in its value than funds which invest more broadly.

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).

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'B' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 <sup>1</sup> pence per share
Opening net asset value per share	90.72	101.30	100.00
Return before operating charges*	14.64	(5.48)	2.48
Operating charges	(1.11)	(1.01)	(0.28)
Return after operating charges	13.53	(6.49)	2.20
Distributions	(4.34)	(4.09)	(0.90)
Closing net asset value per share	99.91	90.72	101.30
* after direct transaction costs of:	0.06	0.09	0.15

##### PERFORMANCE

Return after charges	14.91%	(6.41)%	2.20%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,494	882	275
Closing number of shares	1,495,568	971,766	271,657
Operating charges	1.17% <sup>4,5</sup>	1.05% <sup>4</sup>	1.49% <sup>2,3</sup>
Direct transaction costs	0.07%	0.10%	0.15%

##### PRICES

Highest share price	102.53	104.16	102.68
Lowest share price	88.05	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> Due to a regulatory change, where the Investment Manager charges the cost of research to a fund it is now treated as an opening cost of the Fund rather than a portfolio transaction cost and it is therefore included in the operating charges.

<sup>5</sup> From 1 January 2019, the Investment Manager agreed on a discretionary basis, to waive a portion of their fee, in order to achieve an Ongoing Charges Figure of 1.00%.

**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND****ACD'S REPORT** *continued***FUND INFORMATION** *continued***Comparative Tables** *continued***'B' ACCUMULATION SHARES**

<b>CHANGE IN NET ASSETS PER SHARE</b>	<b>31.05.19</b> pence per share	<b>31.05.18</b> pence per share	<b>31.05.17<sup>1</sup></b> pence per share
Opening net asset value per share	95.55	102.19	100.00
Return before operating charges*	15.60	(5.61)	2.47
Operating charges	(1.14)	(1.03)	(0.28)
Return after operating charges	14.46	(6.64)	2.19
Distributions	(4.65)	(4.17)	(0.90)
Retained distributions on accumulation shares	4.65	4.17	0.90
Closing net asset value per share	110.01	95.55	102.19
* after direct transaction costs of:	0.07	0.09	0.15

**PERFORMANCE**

Return after charges	15.13%	(6.50)%	2.19%
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**OTHER INFORMATION**

Closing net asset value (£'000)	2,340	369	95
Closing number of shares	2,127,415	387,052	92,548
Operating charges	1.13% <sup>4,5</sup>	1.05% <sup>4</sup>	1.49% <sup>2,3</sup>
Direct transaction costs	0.07%	0.10%	0.15%

**PRICES**

Highest share price	110.93	105.07	102.68
Lowest share price	93.69	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> Due to a regulatory change, where the Investment Manager charges the cost of research to a fund it is now treated as an opening cost of the Fund rather than a portfolio transaction cost and it is therefore included in the operating charges.<sup>5</sup> From 1 January 2019, the Investment Manager agreed on a discretionary basis, to waive a portion of their fee, in order to achieve an Ongoing Charges Figure of 1.00%.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 <sup>1</sup> pence per share
Opening net asset value per share	91.04	101.40	100.00
Return before operating charges*	14.71	(5.49)	2.49
Operating charges	(0.94)	(0.77)	(0.19)
Return after operating charges	13.77	(6.26)	2.30
Distributions	(4.37)	(4.10)	(0.90)
Closing net asset value per share	100.44	91.04	101.40
* after direct transaction costs of:	0.07	0.09	0.15

##### PERFORMANCE

Return after charges	15.13%	(6.17)%	2.30%
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##### OTHER INFORMATION

Closing net asset value (£'000)	11,423	12,967	10,344
Closing number of shares	11,371,837	14,242,675	10,201,277
Operating charges	0.99% <sup>4,5</sup>	0.80% <sup>4</sup>	1.00% <sup>2,3</sup>
Direct transaction costs	0.07%	0.10%	0.15%

##### PRICES

Highest share price	103.08	104.32	102.78
Lowest share price	88.49	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> Due to a regulatory change, where the Investment Manager charges the cost of research to a fund it is now treated as an opening cost of the Fund rather than a portfolio transaction cost and it is therefore included in the operating charges.

<sup>5</sup> From 1 January 2019, the Investment Manager agreed on a discretionary basis, to waive a portion of their fee, in order to achieve an Ongoing Charges Figure of 0.90%.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 <sup>1</sup> pence per share
Opening net asset value per share	95.88	102.30	100.00
Return before operating charges*	15.72	(5.63)	2.49
Operating charges	(1.00)	(0.79)	(0.19)
Return after operating charges	14.72	(6.42)	2.30
Distributions	(4.67)	(4.18)	(0.89)
Retained distributions on accumulation shares	4.67	4.18	0.89
Closing net asset value per share	110.60	95.88	102.30
* after direct transaction costs of:	0.07	0.09	0.15

##### PERFORMANCE

Return after charges	15.35%	(6.28)%	2.30%
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##### OTHER INFORMATION

Closing net asset value (£'000)	5,483	4,946	1,647
Closing number of shares	4,957,455	5,158,103	1,609,709
Operating charges <sup>3</sup>	0.99% <sup>4</sup>	0.80% <sup>4</sup>	1.00% <sup>2</sup>
Direct transaction costs	0.07%	0.10%	0.15%

##### PRICES

Highest share price	111.53	105.24	102.78
Lowest share price	94.03	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> Up until 31 December 2018, the Investment Manager 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 Operating Charges Figure ('OCF') that did not exceed 1.00%. Effective 1 January 2019, the OCF cap was reduced to 0.90% which is reflected in the latest KIID.

<sup>4</sup> Due to a regulatory change, where the Investment Manager charges the cost of research to a fund it is now treated as an opening cost of the Fund rather than a portfolio transaction cost and it is therefore included in the operating charges.

**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND**  
**ACD'S REPORT** *continued*  
**FUND INFORMATION** *continued*

**Fund Performance to 31 May 2019 (%)**

	1 year	Since launch <sup>1</sup>
LF Miton Global Infrastructure Income Fund	14.55	9.92

<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 78 to 80.

**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

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	UNITED KINGDOM – 6.18% (31.05.18 – 6.57%)		
162,000	National Express	643	3.10
27,439	SSE	296	1.43
264,000	Vodafone	342	1.65
	TOTAL UNITED KINGDOM	1,281	6.18
	CONTINENTAL EUROPE – 21.31% (31.05.18 – 18.51%)		
	FINLAND – 2.31% (31.05.18 – 2.43%)		
28,300	Fortum	479	2.31
	GERMANY – 1.26% (31.05.18 – 1.61%)		
19,500	Deutsche Telekom	261	1.26
	ITALY – 8.56% (31.05.18 – 8.33%)		
25,000	Atlantia	497	2.40
122,000	Enel	601	2.90
70,000	Infrastrutture Wireless Italiane	499	2.41
44,550	Snam	177	0.85
	TOTAL ITALY	1,774	8.56
	SPAIN – 6.87% (31.05.18 – 3.58%)		
1,900	Aena	277	1.34
40,000	Atlantica Yield	680	3.28
13,300	Ferrovial	252	1.21
34,100	Telefonica	216	1.04
	TOTAL SPAIN	1,425	6.87
	SWITZERLAND – 2.31% (31.05.18 – 2.56%)		
3,600	Flughafen Zurich	480	2.31
	TOTAL CONTINENTAL EUROPE	4,419	21.31

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	NORTH AMERICA – 57.39% (31.05.18 – 61.37%)		
	CANADA – 16.57% (31.05.18 – 16.06%)		
31,500	AltaGas	360	1.74
40,500	Enbridge	1,183	5.70
22,037	Gibson Energy	284	1.37
15,000	Inter Pipeline	181	0.87
9,784	Keyera	186	0.90
9,879	Pembina Pipeline	279	1.34
25,000	TC Energy	964	4.65
	TOTAL CANADA	3,437	16.57
	UNITED STATES – 40.82% (31.05.18 – 45.31%)		
9,400	Alliant Energy	354	1.71
10,300	American Electric Power	704	3.39
4,200	American Tower 'A'	696	3.36
3,500	DTE Energy	348	1.68
6,000	Duke Energy	407	1.96
29,000	Enterprise Products Partners	642	3.09
4,000	NextEra Energy	629	3.03
20,500	NextEra Energy Partners	719	3.47
10,700	Nisource	236	1.14
3,000	Norfolk Southern	464	2.24
37,000	Pattern Energy	623	3.00
3,200	Sempra Energy	334	1.61
2,600	Union Pacific	344	1.66
6,700	Verizon Communications	289	1.39
9,404	WEC Energy	601	2.90
12,700	Williams	266	1.28
17,800	Xcel Energy	810	3.91
	TOTAL UNITED STATES	8,466	40.82
	TOTAL NORTH AMERICA	11,903	57.39



## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	JAPAN – 3.82% (31.05.18 – 2.45%)		
30,000	KDDI	610	2.94
10,000	NTT DoCoMo	182	0.88
	TOTAL JAPAN	<u>792</u>	<u>3.82</u>
	FAR EAST (EX JAPAN) – 7.32% (31.05.18 – 6.27%)		
	CHINA – 1.79% (31.05.18 – 0.00%)		
2,100,000	China Tower	<u>372</u>	<u>1.79</u>
	HONG KONG – 2.77% (31.05.18 – 2.05%)		
105,000	Power Assets	<u>575</u>	<u>2.77</u>
	INDONESIA – 1.65% (31.05.18 – 2.11%)		
16,000	PT Telekomunikasi Indonesia ADRs	<u>342</u>	<u>1.65</u>
	MALAYSIA – 1.11% (31.05.18 – 1.12%)		
244,100	Digi.com	<u>230</u>	<u>1.11</u>
	TAIWAN – 0.00% (31.05.18 – 0.99%)		
	TOTAL FAR EAST (EX JAPAN)	<u>1,519</u>	<u>7.32</u>
	AUSTRALIA – 3.11% (31.05.18 – 3.96%)		
46,000	APA	256	1.23
95,500	Sydney Airport	<u>389</u>	<u>1.88</u>
	TOTAL AUSTRALIA	<u>645</u>	<u>3.11</u>

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	Portfolio of investments	20,559	99.13
	Net other assets	181	0.87
	Net assets	<u>20,740</u>	<u>100.00</u>

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

*Definition:*

*ADRs – American Depositary Receipts.*

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2019

Total purchases for the year £'000 (note 15)	7,608	Total sales for the year £'000 (note 15)	8,148
<b>Major purchases</b>	<b>Cost £'000</b>	<b>Major sales</b>	<b>Proceeds £'000</b>
Atlantica Yield	687	Deutsche Telekom	705
Deutsche Telekom	664	Union Pacific	637
Fortum	572	Fortum	506
Atlantia	516	Enbridge	498
Power Assets	386	Nisource	434
Verizon Communications	376	Atlantia	305
Enbridge	370	TC Energy	300
TC Energy	360	PPL	293
China Tower	346	Flughafen Zurich	271
Flughafen Zurich	345	PNM Resources	255

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

**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
Income:					
Net capital gains/(losses)	3		2,089		(1,989)
Revenue	4	950		843	
Expenses	5	(186)		(145)	
Net revenue before taxation		764		698	
Taxation	6	(86)		(87)	
Net revenue after taxation			678		611
<b>Total return before distributions</b>			2,767		(1,378)
Distributions	7		(860)		(753)
<b>Change in net assets attributable to shareholders from investment activities</b>			1,907		(2,131)

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
for the year ended 31 May 2019

	£'000	31.05.19 £'000	£'000	31.05.18 £'000
<b>Opening net assets attributable to shareholders</b>		19,164		12,361
Amounts receivable on issue of shares	4,691		11,430	
Amounts payable on redemption of shares	(5,315)		(2,707)	
		(624)		8,723
Change in net assets attributable to shareholders from investment activities		1,907		(2,131)
Retained distributions on Accumulation shares		293		211
<b>Closing net assets attributable to shareholders</b>		20,740		19,164

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 May 2019

	Notes	31.05.19 £'000	31.05.18 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		20,559	18,998
<b>Current assets</b>			
Debtors	8	501	94
Cash and bank balances	9	265	424
<b>Total assets</b>		<u>21,325</u>	<u>19,516</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft		(7)	-
Distribution payable	10	(229)	(315)
Other creditors	10	(349)	(37)
<b>Total liabilities</b>		<u>(585)</u>	<u>(352)</u>
<b>Net assets attributable to shareholders</b>		<u>20,740</u>	<u>19,164</u>

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2019

#### 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 pages 21 and 22 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has been applied to this Fund.

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/(Losses)

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

	31.05.19 £'000	31.05.18 £'000
Non-derivative securities	2,100	(1,983)
Transaction charges	(2)	(1)
Currency losses	(9)	(5)
Net capital gains/(losses)	<u>2,089</u>	<u>(1,989)</u>

#### 4. Revenue

	31.05.19 £'000	31.05.18 £'000
Non-taxable dividends	886	799
Taxable dividends	52	44
Stock dividends	12	–
Total revenue	<u>950</u>	<u>843</u>

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 5. Expenses

	31.05.19 £'000	31.05.18 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	98	92
Rebate of Annual Management Charge	(36)	–
Legal and professional fees	10	10
Typesetting costs	2	3
Registration fees	14	13
	88	118
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	13	10
Safe custody and other bank charges	5	6
	18	16
Other expenses:		
Audit fees	8	8
Research costs	69	3
Other tax related services	3	–
	80	11
Total expenses	186	145

The Investment Manager's 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

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 6. Taxation

	31.05.19 £'000	31.05.18 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	86	87
Current tax charge	86	87
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	86	87

#### 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%) (31.05.18: 20%). The difference is explained below:

	31.05.19 £'000	31.05.18 £'000
Net revenue before taxation	764	698
Corporation tax at 20%	153	140
Effects of:		
Non-taxable dividends	(180)	(160)
Foreign tax expensed	(1)	–
Unutilised excess management expenses	28	20
Corporation tax charge	–	–
Overseas tax	86	87
Total tax charge (note 6a)	86	87

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £52,000 (31.05.18: £24,000) 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 GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 7. Distributions

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

	31.05.19 £'000	31.05.18 £'000
First Interim	193	–
Second Interim	139	405
Third Interim	162	–
Final	366	433
	<u>860</u>	<u>838</u>
Add: Revenue deducted on redemption of shares	27	24
Deduct: Revenue received on issue of shares	(27)	(109)
Net distributions for the year	<u>860</u>	<u>753</u>

Details of the distributions per share are set out in the table on pages 78 to 80.

	31.05.19 £'000	31.05.18 £'000
Distributions represented by:		
Net revenue after taxation	678	611
Allocations to capital:		
Expenses, net of tax relief	182	142
Net distributions for the year	<u>860</u>	<u>753</u>

#### 8. Debtors

	31.05.19 £'000	31.05.18 £'000
Amounts receivable for issue of shares	102	10
Sales awaiting settlement	271	–

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Accrued revenue:		
Non-taxable dividends	66	60
Amounts due from the Investment Manager:		
Refund of expenses	36	16
Taxation recoverable:		
Overseas withholding tax	26	8
Total debtors	<u>501</u>	<u>94</u>

#### 9. Cash and Bank Balances

	31.05.19 £'000	31.05.18 £'000
Bank balances	265	424
Total cash and bank balances	<u>265</u>	<u>424</u>
Bank overdraft	7	–
Total bank overdraft	<u>7</u>	<u>–</u>

#### 10. Creditors

	31.05.19 £'000	31.05.18 £'000
Distribution payable	<u>229</u>	<u>315</u>
<b>Other Creditors</b>		
Amounts payable for redemption of shares	–	14
Purchases awaiting settlement	308	–

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	9	8
Legal and professional fees	–	2
Typesetting costs	1	1
Registration fees	1	–
	11	11
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Safe custody and other bank charges	–	2
	1	3
Other expenses	29	9
Total other creditors	349	37

### 11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 65 and amounts due at the year 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 17,899 (31.05.18: 17,899) 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	36.90% (31.05.18: 47.25%)
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**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND****FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2019

**12. Contingent Liabilities and Commitments**

There are no contingent liabilities or unrecorded outstanding commitments (31.05.18: none).

**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	971,766	387,052	14,242,675	5,158,103
Issues	620,184	2,609,160	499,991	979,037
Redemptions	(61,942)	(856,622)	(3,417,668)	(1,180,071)
Conversions	(34,440)	(12,175)	46,839	386
Closing shares in issue	<u>1,495,568</u>	<u>2,127,415</u>	<u>11,371,837</u>	<u>4,957,455</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.

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

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 GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

The table below shows the direct foreign currency risk profile:

	31.05.19 £'000	31.05.18 £'000
Currency:		
Australian dollars	645	760
Canadian dollars	3,456	3,096
Euros	3,285	3,066
Hong Kong dollars	948	392
Japanese yen	805	475
Malaysian ringgit	232	217
Swiss francs	480	490
US dollars	9,519	9,316
	<u>19,370</u>	<u>17,812</u>
Pounds sterling	1,370	1,352
Net assets	<u>20,740</u>	<u>19,164</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 £969,000 on the net assets of the Fund (31.05.18: £891,000).

#### (D) LEVERAGE

The Fund did not employ any significant leverage in 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.

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

for the year ended 31 May 2019

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 £1,028,000 (31.05.18: £950,000). A 5% decrease would have an equal and opposite effect.

**(G) DERIVATIVES**

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

**15. Portfolio Transaction Costs**

31.05.19	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	7,599	4	5	7,608
Purchases total	<u>7,599</u>	<u>4</u>	<u>5</u>	<u>7,608</u>
<i>Transaction cost % of purchases total</i>		0.05%	0.07%	
<i>Transaction cost % of average NAV</i>		0.02%	0.03%	
Ordinary shares	8,152	(4)	–	8,148
Sales total	<u>8,152</u>	<u>(4)</u>	<u>–</u>	<u>8,148</u>
<i>Transaction cost % of sales total</i>		0.05%	–	
<i>Transaction cost % of average NAV</i>		0.02%	–	

Average portfolio dealing spread at 31.05.19 is 0.11% (31.05.18: 0.11%).

## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

31.05.18	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	<u>12,252</u>	<u>10</u>	<u>5</u>	<u>12,267</u>
<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	<u>3,558</u>	<u>(2)</u>	<u>–</u>	<u>3,556</u>
<i>Transaction cost % of sales total</i>		0.06%	–	
<i>Transaction cost % of average NAV</i>		0.01%	–	

### 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 (see note 1(F) of the Accounting Policies).

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

### 17. Subsequent Events

As at 12 September 2019, the net asset value of the Fund has risen by 36% compared to that at 31 May 2019, primarily due to the issue of shares. These accounts were approved on 16 September 2019.



## LF MITON GLOBAL INFRASTRUCTURE INCOME FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 May 2019 – in pence per share

#### EQUALISATION

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

Group 2	First Interim	Second Interim	Third Interim	Final
From	01.06.18	01.09.18	01.12.18	01.03.19
To	31.08.18	31.11.18	28.02.19	31.05.19

#### 'B' INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 31.10.18	Paid 31.10.17
Group 1	1.0173	–	1.0173	N/A
Group 2	0.5066	0.5107	1.0173	N/A

Second Interim	Net Revenue	Equalisation	Paid 31.01.19	Paid 31.01.18
Group 1	0.7205	–	0.7205	2.0304
Group 2	0.4811	0.2394	0.7205	2.0304

Third Interim	Net Revenue	Equalisation	Paid 30.04.19	Paid 30.04.18
Group 1	0.8343	–	0.8343	N/A
Group 2	0.2606	0.5737	0.8343	N/A

Final	Net Revenue	Equalisation	Payable 31.07.19	Paid 31.07.18
Group 1	1.7718	–	1.7718	2.0617
Group 2	0.6988	1.0730	1.7718	2.0617

**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

**'B' ACCUMULATION SHARES**

<b>First Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.10.18</b>	<b>Allocated 31.10.17</b>
Group 1	1.0725	–	1.0725	N/A
Group 2	0.4901	0.5824	1.0725	N/A
<b>Second Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.01.19</b>	<b>Allocated 31.01.18</b>
Group 1	0.7565	–	0.7565	2.0479
Group 2	0.3637	0.3928	0.7565	2.0479
<b>Third Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 30.04.19</b>	<b>Allocated 30.04.18</b>
Group 1	0.9036	–	0.9036	N/A
Group 2	0.4622	0.4414	0.9036	N/A
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31.07.19</b>	<b>Allocated 31.07.18</b>
Group 1	1.9196	–	1.9196	2.1225
Group 2	0.9229	0.9967	1.9196	2.1225

**'F' INCOME SHARES**

<b>First Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 31.10.18</b>	<b>Paid 31.10.17</b>
Group 1	1.0210	–	1.0210	N/A
Group 2	0.5866	0.4344	1.0210	N/A
<b>Second Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 31.01.19</b>	<b>Paid 31.01.18</b>
Group 1	0.7233	–	0.7233	2.0357
Group 2	0.5157	0.2076	0.7233	2.0357

**LF MITON GLOBAL INFRASTRUCTURE INCOME FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

<b>Third Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 30.04.19</b>	<b>Paid 30.04.18</b>
Group 1	0.8393	–	0.8393	N/A
Group 2	0.1783	0.6610	0.8393	N/A

<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Payable 31.07.19</b>	<b>Paid 31.07.18</b>
Group 1	1.7818	–	1.7818	2.0681
Group 2	1.1456	0.6362	1.7818	2.0681

**‘F’ ACCUMULATION SHARES**

<b>First Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.10.18</b>	<b>Allocated 31.10.17</b>
Group 1	1.0751	–	1.0751	N/A
Group 2	0.8444	0.2307	1.0751	N/A

<b>Second Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.01.19</b>	<b>Allocated 31.01.18</b>
Group 1	0.7700	–	0.7700	2.0522
Group 2	0.5263	0.2437	0.7700	2.0522

<b>Third Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 30.04.19</b>	<b>Allocated 31.04.18</b>
Group 1	0.9000	–	0.9000	N/A
Group 2	0.8030	0.0970	0.9000	N/A

<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31.07.19</b>	<b>Allocated 31.07.18</b>
Group 1	1.9278	–	1.9278	2.1289
Group 2	1.4455	0.4823	1.9278	2.1289

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

for the year ended 31 May 2019

### **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

*16 September 2019*

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2019

#### Introduction

This Annual Report covers the 12 months ended 31 May 2019.

The principal focus of the Fund is to generate a meaningful and growing dividend for shareholders investing across a range of quoted companies from large to small. The managers are able to select from a wide universe of stocks which provides a greater opportunity to select stocks which collectively are capable of sustaining dividend and dividend growth and drive long term capital return. Alongside this, the fund managers seek to lower fund volatility through stock selection, sector diversity and differentiation and limiting stock specific risk, through investing via a longer list of modestly sized holdings. In addition, the Fund currently holds a Put Option (a form of insurance. It is an option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time frame) to mitigate the impact on capital in the event of a market sell-off. As a consequence, the Fund is expected to be less correlated with other equity income funds.

The period was dominated by changeable stock markets, offset, in part, by the periods of positive momentum in high growth stocks. Slowing world growth and uncertainty over the next move in interest rates and economic stimulus have been the main global macro themes with Brexit influencing UK equities.

#### Performance

The main recent stock market trends include growth stocks outperforming value stocks, and negative sentiment towards UK stocks and smaller companies in particular. These trends have been a headwind for returns of the Fund in recent years, but the managers believe there are reasons for these to reverse as sentiment towards the UK normalises and superior dividend and dividend growth translates into superior capital growth.

Macro concerns culminated in widespread market weakness at the end of 2018 included a dramatic sell-off in growth stocks on concerns about high valuations and global trade and interest rate tightening in the US. The recovery in 2019 has been led by a bounce back in these growth stocks and large and mid cap companies as the expectation of further interest rate rises was tempered.

The Fund holds a diverse range of mainly income producing investments. Given the wide differences in terms of stock holdings and sector exposure between the Fund, its income peers and mainstream indices, the performance of the Fund by comparison is expected to be less correlated. Given the nature of the holdings and the impact of the Put Option, the Fund is expected to be more resilient in market sell-offs and more gradual to recover in rallies which proved to be the case during the year.

Over the 12 months, the FTSE All Share Index fell -3.2%<sup>1</sup>. The FTSE AIM All-Share Index declined by -10.1%<sup>1</sup> and the FTSE Small Cap Index (excluding Investment Trusts) fell 7.7%<sup>1</sup>. Overall, the Fund declined -5.7% in the period which is in line with the average IA UK Equity Income fund which declined -5.2%<sup>1</sup>. Over time the total annual return of the Fund is expected to equate to the combination of the annual dividend income along with the capital gain associated with the annualised rise in that dividend income.

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

During the 12 months, the best performing shares in the Fund came from a diverse range of sectors. The main positive stock contributors to the Fund included Manolete Partners, Diversified Gas & Oil and SafeCharge International (which was subject to a takeover offer). The Fund benefited from ten takeover approaches in the year from a range of industry and financial buyers. This level of takeovers is a validation of the investment process of the Fund and should be a good lead indicator of future potential. These takeovers highlight a disconnect between the current stock market valuations and the intrinsic or strategic value of the businesses concerned to others. The takeovers were in a wide range in sectors and business sizes and included Sky, Harvey Nash, RPC, Earthport, Dairy Crest, Manx Telecom, KCOM, A&J Mucklow, Communisis and SafeCharge. The main negative contributors in the period were Kier (now exited), 888 Holdings and Amino Technologies. The Fund holds a wide range of holdings to mitigate the specific impact of any particular stock weakness.

Since the Fund was set up in October 2011, the total return is 157.6%<sup>1</sup>. This compares to a total return of 84.0%<sup>1</sup> for the FTSE All Share and 85.6%<sup>1</sup> for the IA UK Equity Income Sector. The Fund is ranked 2 out of 70 funds in the IA UK Equity Income sector over this time.

For the year ended May 2019, the year on year growth in dividend was 3.4%. The compound annual growth in dividend since the launch of the Fund in the year ended May 2012 is 8.4%. A feature of the Fund given the strong balance sheets of the underlying companies is the receipt of special dividends which can vary year on year and were lower in the current year.

The Fund does not have holdings in private companies and there is no intention to do so.

#### **Brexit and Impact**

Brexit negotiations have influenced the performance of the Fund in the three years since the vote. This has held back UK equities and led them to stand at large valuation discounts to international peers. The impact on volatility and performance has been particularly pronounced in the early part of 2019 and especially so in relation to smaller companies. The uncertainty has led to many companies being overlooked as investors await detail on the terms of the UK's exit from the EU.

When the UK exits the EU, domestically based operations may face short-term interruptions in their supplies or sales. Overall, these effects are expected to be transitory. Whilst this may affect certain holdings in the portfolio, many have overseas sources of revenues and their international operations are not expected to be greatly affected.

That said, the UK Government anticipates that our economy may expand at a slower rate after Brexit, which could moderate longer-term returns. In this context, it is worth emphasising that the Fund was not set up on the basis that the UK economy was superior to others. The wide investible universe provides the opportunity to select stocks that are still able to grow their dividends.

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

The likely outcomes from the Brexit negotiations are expected to be positive for UK equities in terms of removing current uncertainties. Despite some optimism in early 2019 that a resolution of the terms would be reached, the deadline for withdrawal from the EU has been moved to October and so the process has been prolonged. Nonetheless the managers believe that a resolution will see a resumption of the trend prior to the Brexit vote when the progress of companies held in the Fund was better recognised and the Fund outperformed peers.

#### Current Market Trends and Outlook

The Fund invests across a range of larger and smaller quoted companies with the principal objective of generating a good and growing stream of dividend income. One of the great advantages of this multi cap approach is the broader investment universe. A larger opportunity set offers the managers greater scope to identify a portfolio of holdings with scope for superior dividend growth. Furthermore, there is better scope to be risk sensitive, for example through minimising the need to hold stocks with significant corporate debt.

In past decades, there was a broad political consensus favouring globalisation. But over recent years, the absence of productivity improvement and wage growth, has hardened the attitude of electorates, and they are increasingly voting for change. Nationalist policies are displacing the prior trend of globalisation, and past market norms are evolving.

In the shifting market environment, we believe that the agile and well-capitalised will have greater opportunity. The Fund's multi cap approach is well suited for this. Furthermore, uncertainty about the detail of Brexit has led to a degree of caution amongst asset allocators regarding their UK weightings. This has left the valuations of many UK quoted companies, and most particularly UK small caps, standing at undemanding levels. Already this has been reflected in a significant uptick in takeovers in the Fund.

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

Investment Manager

4 July 2019

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<sup>1</sup> Source: FE Analytics. The Indices's 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

### ACD'S REPORT *continued*

#### 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.

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



## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	193.26	191.97	171.80
Return before operating charges*	(8.83)	12.43	30.70
Operating charges	(2.85)	(2.99)	(2.76)
Return after operating charges	(11.68)	9.44	27.94
Distributions	(8.36)	(8.15)	(7.77)
Closing net asset value per share	173.22	193.26	191.97
* after direct transaction costs of:	0.30	0.28	0.31

##### PERFORMANCE

Return after charges	(6.04)%	4.92%	16.26%
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##### OTHER INFORMATION

Closing net asset value (£'000)	9,573	13,090	13,069
Closing number of shares	5,526,565	6,773,202	6,807,768
Operating charges	1.56% <sup>1</sup>	1.56% <sup>1</sup>	1.56%
Direct transaction costs	0.17%	0.15%	0.18%

##### PRICES

Highest share price	197.27	201.64	195.69
Lowest share price	166.41	185.10	157.20

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	258.36	246.06	210.98
Return before operating charges*	(11.89)	16.19	38.52
Operating charges	(3.86)	(3.89)	(3.44)
Return after operating charges	(15.75)	12.30	35.08
Distributions	(11.35)	(10.60)	(9.69)
Retained distributions on accumulation shares	11.35	10.60	9.69
Closing net asset value per share	242.61	258.36	246.06
* after direct transaction costs of:	0.41	0.37	0.39

##### PERFORMANCE

Return after charges	(6.10)%	5.00%	16.63%
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##### OTHER INFORMATION

Closing net asset value (£'000)	11,097	12,667	10,374
Closing number of shares	4,574,143	4,903,068	4,215,865
Operating charges	1.56% <sup>1</sup>	1.56% <sup>1</sup>	1.56%
Direct transaction costs	0.17%	0.15%	0.18%

##### PRICES

Highest share price	263.67	265.11	247.13
Lowest share price	227.26	241.81	192.97

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	203.18	200.30	177.91
Return before operating charges*	(9.31)	13.05	31.95
Operating charges	(1.56)	(1.63)	(1.49)
Return after operating charges	(10.87)	11.42	30.46
Distributions	(8.82)	(8.54)	(8.07)
Closing net asset value per share	183.49	203.18	200.30
* after direct transaction costs of:	0.32	0.30	0.32

##### PERFORMANCE

Return after charges	(5.35)%	5.70%	17.12%
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##### OTHER INFORMATION

Closing net asset value (£'000)	831,961	809,688	635,715
Closing number of shares	453,413,206	398,515,342	317,385,430
Operating charges	0.81% <sup>1</sup>	0.81% <sup>1</sup>	0.81%
Direct transaction costs	0.17%	0.15%	0.18%

##### PRICES

Highest share price	207.47	211.94	204.18
Lowest share price	175.68	194.26	162.89

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	270.70	255.89	217.78
Return before operating charges*	(12.48)	16.92	39.96
Operating charges	(2.11)	(2.11)	(1.85)
Return after operating charges	(14.59)	14.81	38.11
Distributions	(11.94)	(11.06)	(10.05)
Retained distributions on accumulation shares	11.94	11.06	10.05
Closing net asset value per share	256.11	270.70	255.89
* after direct transaction costs of:	0.43	0.39	0.40

##### PERFORMANCE

Return after charges	(5.39)%	5.79%	17.50%
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##### OTHER INFORMATION

Closing net asset value (£'000)	367,232	359,040	245,734
Closing number of shares	143,387,326	132,633,040	96,031,646
Operating charges	0.81% <sup>1</sup>	0.81% <sup>1</sup>	0.81%
Direct transaction costs	0.17%	0.15%	0.18%

##### PRICES

Highest share price	276.39	277.72	257.01
Lowest share price	239.11	251.64	199.30

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 May 2019 (%)

	1 year	3 years	5 years
LF Miton UK Multi Cap Income Fund	(5.65)	17.41	37.61

The performance of the Fund is based on the published price per 'B' Institutional 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 116 to 118.

#### 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

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	CORPORATE BONDS – 0.53% (31.05.18 – 0.92%)		
£800,000	600 8% Loan Note 18/2/2020 <sup>2</sup>	800	0.07
£1,267,500	Active Energy Loan 8% 15/3/2022 <sup>2</sup>	1,267	0.10
US\$3,100,000	Hurricane Energy 7.5% 24/7/2022	3,828	0.31
US\$800,000	Sirius Minerals Finance 8.5% 28/11/2023	603	0.05
	TOTAL CORPORATE BONDS	<u>6,498</u>	<u>0.53</u>
	OIL & GAS – 9.10% (31.05.18 – 8.45%)		
	OIL & GAS PRODUCERS – 8.72% (31.05.18 – 8.45%)		
2,306,048	BP	12,455	1.02
20,841,752	Diversified Gas & Oil <sup>1</sup>	27,094	2.22
560,553	Eni	6,730	0.55
11,511,670	Hurricane Energy <sup>1</sup>	6,671	0.55
26,901,583	Jadestone Energy <sup>1</sup>	14,527	1.19
500,854	Royal Dutch Shell 'A'	12,326	1.01
147,589	Royal Dutch Shell 'B'	3,651	0.30
63,456,577	Savannah Petroleum <sup>1</sup>	12,533	1.03
5,163,375	Tullow Oil	10,322	0.85
		<u>106,309</u>	<u>8.72</u>
	OIL EQUIPMENT & SERVICES – 0.38% (31.05.18 – 0.00%)		
3,744,130	Tekmar	4,680	0.38
	TOTAL OIL & GAS	<u>110,989</u>	<u>9.10</u>
	BASIC MATERIALS – 9.59% (31.05.18 – 11.29%)		
	CHEMICALS – 2.26% (31.05.18 – 2.45%)		
2,186,627	Treant	9,752	0.80
2,873,514	Zotefoams	17,816	1.46
		<u>27,568</u>	<u>2.26</u>

**LF MITON UK MULTI CAP INCOME FUND****ACD'S REPORT** *continued***PORTFOLIO STATEMENT** *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	FORESTRY & PAPER – 1.13% (31.05.18 – 1.31%)		
191,688	James Cropper <sup>1</sup>	1,821	0.15
733,980	Mondi	12,026	0.98
		<u>13,847</u>	<u>1.13</u>
	MINING – 6.20% (31.05.18 – 7.53%)		
4,944,974	Anglo Pacific	9,840	0.81
279,793	BHP	4,993	0.41
14,064,183	Centamin	12,497	1.02
2,608,551	Central Asia Metals <sup>1</sup>	5,700	0.47
4,467,311	Ferro-Alloy Resources	1,251	0.10
8,656,159	Highland Gold Mining <sup>1</sup>	14,352	1.17
7,111,039	Kenmare Resources	14,009	1.15
45,049,110	Pan African Resources <sup>1</sup>	4,235	0.35
192,844	Rio Tinto	8,748	0.72
		<u>75,625</u>	<u>6.20</u>
	TOTAL BASIC MATERIALS	<u>117,040</u>	<u>9.59</u>
	INDUSTRIALS – 15.42% (31.05.18 – 16.36%)		
	CONSTRUCTION & MATERIALS – 1.91% (31.05.18 – 2.63%)		
1,555,740	Clarke (T)	2,069	0.17
2,063,613	Costain	6,500	0.53
1,749,859	Kier	4,865	0.40
3,815,425	Norcros	7,326	0.60
4,701,756	Van Elle <sup>1</sup>	2,539	0.21
		<u>23,299</u>	<u>1.91</u>
	ELECTRONIC & ELECTRICAL EQUIPMENT – 1.43% (31.05.18 – 1.03%)		
10,833,091	Strix <sup>1</sup>	17,398	1.43

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	GENERAL INDUSTRIALS – 2.03% (31.05.18 – 3.28%)		
7,460,604	Coral Products <sup>1</sup>	634	0.05
2,553,884	DS Smith	8,068	0.66
3,555,211	Macfarlane	3,555	0.29
572,101	Smurfit Kappa	12,575	1.03
		<u>24,832</u>	<u>2.03</u>
	INDUSTRIAL ENGINEERING – 0.24% (31.05.18 – 0.51%)		
4,000,000	600 Warrants	–	–
2,008,450	Flowtech Fluidpower <sup>1</sup>	2,912	0.24
		<u>2,912</u>	<u>0.24</u>
	INDUSTRIAL TRANSPORTATION – 1.70% (31.05.18 – 2.13%)		
12,868,008	Eddie Stobart Logistics <sup>1</sup>	10,423	0.86
8,599,632	Stobart	10,268	0.84
		<u>20,691</u>	<u>1.70</u>
	SUPPORT SERVICES – 8.11% (31.05.18 – 6.78%)		
1,900,000	Bilby	722	0.06
10,253,972	DWF	12,161	1.00
4,133,085	Gateley <sup>1</sup>	6,613	0.54
1,065,528	iEnergizer <sup>1</sup>	1,961	0.16
69,717,834	Inspired Energy <sup>1</sup>	9,760	0.80
4,104,293	K3 Capital	5,459	0.45
1,659,275	PayPoint	18,020	1.48
11,716,633	Rosenblatt	12,888	1.05
6,380,675	SafeCharge International <sup>1</sup>	27,564	2.26
757,784	Smart Metering Systems	3,743	0.31
		<u>98,891</u>	<u>8.11</u>
	TOTAL INDUSTRIALS	<u>188,023</u>	<u>15.42</u>



## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	CONSUMER GOODS – 6.94% (31.05.18 – 7.26%)		
	FOOD PRODUCERS – 1.50% (31.05.18 – 3.47%)		
24,909,988	DekelOil Public <sup>1</sup>	697	0.06
5,506,893	Finsbury Food <sup>1</sup>	4,185	0.34
1,408,794	Hilton Food	13,384	1.10
		<u>18,266</u>	<u>1.50</u>
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 3.55% (31.05.18 – 2.55%)		
2,264,829	Accrol <sup>1</sup>	578	0.05
1,050,934	Galliford Try	6,558	0.54
2,121,648	IG Design <sup>1</sup>	12,433	1.02
6,978,533	McBride	5,974	0.49
453,345	Persimmon	8,917	0.73
5,347,655	Taylor Wimpey	8,837	0.72
		<u>43,297</u>	<u>3.55</u>
	LEISURE GOODS – 0.92% (31.05.18 – 0.00%)		
12,441,340	Photo-Me	11,272	0.92
	TOBACCO – 0.97% (31.05.18 – 1.24%)		
185,269	British American Tobacco	5,113	0.42
352,697	Imperial Brands	6,754	0.55
		<u>11,867</u>	<u>0.97</u>
	TOTAL CONSUMER GOODS	<u>84,702</u>	<u>6.94</u>
	HEALTH CARE – 0.77% (31.05.18 – 0.90%)		
	PHARMACEUTICALS & BIOTECHNOLOGY – 0.77% (31.05.18 – 0.90%)		
258,751	Bioventix <sup>1</sup>	9,444	0.77

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	CONSUMER SERVICES – 10.42% (31.05.18 – 12.24%)		
	FOOD & DRUG RETAILERS – 2.87% (31.05.18 – 2.89%)		
4,263,172	J Sainsbury	8,526	0.70
1,509,122	McColl's Retail	1,250	0.10
5,976,090	Morrison (Wm.) Supermarkets	11,764	0.97
5,927,123	Tesco	13,413	1.10
		<u>34,953</u>	<u>2.87</u>
	GENERAL RETAILERS – 1.27% (31.05.18 – 1.40%)		
14,068,822	Game Digital	3,475	0.28
1,253,819	ScS	2,746	0.22
4,584,832	Shoe Zone <sup>1</sup>	9,353	0.77
		<u>15,574</u>	<u>1.27</u>
	MEDIA – 2.94% (31.05.18 – 4.29%)		
596,845	4imprint	15,637	1.28
3,723,689	Bloomsbury Publishing	8,490	0.70
3,940,092	Cello <sup>1</sup>	5,240	0.43
248,947	Haynes Publishing	483	0.04
5,994,213	Huntsworth	5,994	0.49
		<u>35,844</u>	<u>2.94</u>
	TRAVEL & LEISURE – 3.34% (31.05.18 – 3.66%)		
7,298,618	888	9,590	0.79
11,541,840	Arena Events <sup>1</sup>	4,386	0.36
393,889	easyJet	3,432	0.28
5,366,907	Elegant Hotels <sup>1</sup>	3,757	0.31
563,710	Go-Ahead	10,536	0.86
4,341,164	Hostelworld	9,095	0.74
		<u>40,796</u>	<u>3.34</u>
	TOTAL CONSUMER SERVICES	<u>127,167</u>	<u>10.42</u>

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	TELECOMMUNICATIONS – 2.72% (31.05.18 – 3.24%)		
	FIXED LINE TELECOMMUNICATIONS – 1.40% (31.05.18 – 1.97%)		
1,281,486	BT	2,483	0.21
15,019,669	KCOM	14,524	1.19
		<u>17,007</u>	<u>1.40</u>
	MOBILE TELECOMMUNICATIONS – 1.32% (31.05.18 – 1.27%)		
279,580,000	Siminn	7,792	0.64
6,426,207	Vodafone	8,317	0.68
		<u>16,109</u>	<u>1.32</u>
	TOTAL TELECOMMUNICATIONS	<u>33,116</u>	<u>2.72</u>
	UTILITIES – 1.68% (31.05.18 – 1.37%)		
	ELECTRICITY – 0.63% (31.05.18 – 0.38%)		
4,704,402	Aggregated Micro Power	3,340	0.27
966,062	Jersey Electricity	4,347	0.36
		<u>7,687</u>	<u>0.63</u>
	GAS, WATER & MULTIUTILITIES – 1.05% (31.05.18 – 0.99%)		
1,611,796	National Grid	12,765	1.05
	TOTAL UTILITIES	<u>20,452</u>	<u>1.68</u>

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	FINANCIALS – 32.53% (31.05.18 – 28.27%)		
	BANKS – 4.08% (31.05.18 – 2.92%)		
26,120,461	Arion Bank	13,224	1.08
3,978,356	Barclays	5,940	0.49
23,090,330	Lloyds Banking	13,222	1.08
5,316,582	NatWest Markets	11,362	0.93
411,533	Secure Trust Bank <sup>1</sup>	6,050	0.50
		<u>49,798</u>	<u>4.08</u>
	NON-LIFE INSURANCE – 9.70% (31.05.18 – 8.53%)		
687,709	Admiral	14,167	1.16
4,032,588	Direct Line	12,731	1.05
3,922,322	Gable <sup>3</sup>	–	–
2,086,879	Lancashire	14,660	1.20
3,184,373	Personal <sup>1</sup>	14,903	1.22
11,750,392	Randall & Quilter Investment <sup>1</sup>	21,151	1.73
5,308,120	Sabre Insurance	13,536	1.11
67,435,244	Sjova-Almennar Tryggingar	7,932	0.65
34,753,602	Tryggingamidstodin	7,620	0.63
141,164,255	Vatryggingafelag Islands	11,614	0.95
		<u>118,314</u>	<u>9.70</u>
	LIFE INSURANCE – 3.78% (31.05.18 – 4.10%)		
2,940,410	Aviva	11,897	0.98
4,409,220	Hansard Global	1,931	0.16
6,255,493	Legal & General	16,052	1.32
2,408,675	Phoenix	16,162	1.32
		<u>46,042</u>	<u>3.78</u>

**LF MITON UK MULTI CAP INCOME FUND****ACD'S REPORT** *continued***PORTFOLIO STATEMENT** *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	REAL ESTATE INVESTMENT & SERVICES – 2.44% (31.05.18 – 2.41%)		
1,645,994	Belvoir Lettings <sup>1</sup>	1,893	0.15
4,232,263	Conygar <sup>1</sup>	6,179	0.51
2,008,398	Lok'nStore <sup>1</sup>	10,002	0.82
3,338,303	Palace Capital <sup>1</sup>	9,013	0.74
1,583,565	Property Franchise <sup>1</sup>	2,724	0.22
		<u>29,811</u>	<u>2.44</u>
	REAL ESTATE INVESTMENT TRUSTS – 2.16% (31.05.18 – 2.15%)		
3,103,730	Mucklow (A&J)	19,864	1.63
6,318,087	Supermarket Income REIT	6,444	0.53
		<u>26,308</u>	<u>2.16</u>
	FINANCIAL SERVICES – 7.97% (31.05.18 – 5.64%)		
5,844,636	Amigo	14,495	1.19
493,202	Arbuthnot Banking <sup>1</sup>	6,560	0.54
4,932	Arbuthnot Banking <i>non-voting</i>	57	–
8,033,292	Charles Taylor Consulting	18,236	1.50
440,306	Close Brothers	6,059	0.50
3,036,899	Distribution Finance Capital <sup>1</sup>	4,024	0.33
3,683,496	FairPoint <sup>3</sup>	–	–
508,726	Jarvis Securities <sup>1</sup>	2,289	0.19
11,774,383	Litigation Capital Management <sup>1</sup>	10,715	0.88
3,408,935	Manolete Partners <sup>1</sup>	17,556	1.44
81,428,571	Merchant House <sup>3</sup>	–	–
14,725,188	Park <sup>1</sup>	10,013	0.82
19,522	River & Mercantile	50	–
477,827	Shore Capital <sup>1</sup>	1,003	0.08
617,273	Tetragon Financial <sup>4</sup>	6,146	0.50
		<u>97,203</u>	<u>7.97</u>

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	EQUITY INVESTMENT INSTRUMENTS – 2.40% (31.05.18 – 2.52%)		
4,512,359	Channel Islands Property <sup>4</sup>	4,512	0.37
9,571,591	Hipgnosis Songs	9,859	0.81
9,641,045	Morses Club <sup>1</sup>	14,944	1.22
		29,315	2.40
	TOTAL FINANCIALS	396,791	32.53
	TECHNOLOGY – 2.77% (31.05.18 – 4.02%)		
	SOFTWARE & COMPUTER SERVICES – 0.17% (31.05.18 – 0.39%)		
36,629,600	Forbidden Technologies <sup>1</sup>	1,923	0.16
3,345,979	TechFinancials <sup>1</sup>	140	0.01
		2,063	0.17
	TECHNOLOGY HARDWARE & EQUIPMENT – 2.60% (31.05.18 – 3.63%)		
7,577,112	Amino Technologies <sup>1</sup>	6,895	0.56
1,935,402	CML Microsystems <sup>1</sup>	5,535	0.45
9,538,945	Concurrent Technologies <sup>1</sup>	7,059	0.58
6,280,438	IQE <sup>1</sup>	4,710	0.39
34,175,849	Kromek <sup>1</sup>	7,519	0.62
		31,718	2.60
	TOTAL TECHNOLOGY	33,781	2.77
	OPTIONS – 1.87% (31.05.18 – 0.92%)		
7,340	FTSE 100 Put 6,300 18/12/2020	22,827	1.87
	TOTAL OPTIONS	22,827	1.87

## LF MITON UK MULTI CAP INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	Portfolio of investments	1,150,830	94.34
	Net other assets	69,033	5.66
	Net assets	<u>1,219,863</u>	<u>100.00</u>

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

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

<sup>2</sup> Unlisted security.

<sup>3</sup> Delisted security.

<sup>4</sup> Collective investment scheme.

**LF MITON UK MULTI CAP INCOME FUND**  
**ACD'S REPORT** *continued*  
**SUMMARY OF MATERIAL PORTFOLIO CHANGES**

for the year ended 31 May 2019

Total purchases for the year £'000 (note 16)	523,583	Total sales for the year £'000 (note 16)	406,851
<b>Major purchases</b>	<b>Cost £'000</b>	<b>Major sales</b>	<b>Proceeds £'000</b>
NatWest Markets	15,949	Rio Tinto	20,340
Kenmare Resources	15,844	Dairy Crest	20,218
Amigo	15,747	esure	15,797
Arion Bank	15,524	Burford Capital	14,501
Tesco	14,964	Manx Telecom	14,476
Centrica	14,818	Polyus GDRs	13,581
Photo-Me	14,678	Cranswick	12,921
Rio Tinto	14,296	Anglo American	12,810
DWF	12,510	Equinor	12,298
Tullow Oil	12,014	Allied Irish Banks	12,170

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



**LF MITON UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
Income:					
Net capital (losses)/gains	3		(125,210)		24,843
Revenue	4	60,931		44,455	
Expenses	5	(10,695)		(8,275)	
Interest payable and similar charges	7	–		(1)	
Net revenue before taxation		50,236		36,179	
Taxation	6	(884)		(684)	
Net revenue after taxation			49,352		35,495
<b>Total return before distributions</b>			(75,858)		60,338
Distributions	8		(59,498)		(43,372)
<b>Change in net assets attributable to shareholders from investment activities</b>			(135,356)		16,966

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 May 2019

	£'000	31.05.19 £'000	£'000	31.05.18 £'000
<b>Opening net assets attributable to shareholders</b>		1,194,485		904,892
Amounts receivable on issue of shares	303,507		328,710	
Amounts payable on redemption of shares	(161,694)		(69,273)	
		141,813		259,437
Change in net assets attributable to shareholders from investment activities		(135,356)		16,966
Retained distributions on Accumulation shares		18,918		13,190
Unclaimed distributions		3		–
<b>Closing net assets attributable to shareholders</b>		1,219,863		1,194,485

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 May 2019

	Notes	31.05.19 £'000	31.05.18 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		1,150,830	1,137,673
<b>Current assets</b>			
Debtors	9	19,178	11,754
Cash and bank balances	10	74,580	62,930
<b>Total assets</b>		<u>1,244,588</u>	<u>1,212,357</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	10	–	(25)
Distribution payable	11	(16,752)	(13,806)
Other creditors	11	(7,973)	(4,041)
<b>Total liabilities</b>		<u>(24,725)</u>	<u>(17,872)</u>
<b>Net assets attributable to shareholders</b>		<u>1,219,863</u>	<u>1,194,485</u>

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2019

#### 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 pages 21 and 22 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to this Fund.

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:

	31.05.19 £'000	31.05.18 £'000
Non-derivative securities	(115,012)	39,116
Derivative contracts	(10,182)	(14,183)
Forward currency contracts	–	(29)
Transaction charges	(10)	(4)
Currency losses	(6)	(57)
Net capital (losses)/gains	<u>(125,210)</u>	<u>24,843</u>

**LF MITON UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 31 May 2019

**4. Revenue**

	31.05.19 £'000	31.05.18 £'000
Non-taxable dividends	57,546	41,657
Taxable dividends	1,063	1,382
UK property income distributions	1,304	606
Interest on debt securities	582	641
Underwriting commission	236	91
Bank interest	200	36
Stock dividend	–	42
Total revenue	<u>60,931</u>	<u>44,455</u>

**5. Expenses**

	31.05.19 £'000	31.05.18 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	9,892	7,713
Legal and professional fees	10	10
Typesetting costs	3	3
Registration fees	338	311
	<u>10,243</u>	<u>8,037</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	184	149
Safe custody and other bank charges	73	50
	<u>257</u>	<u>199</u>

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Other expenses:		
Audit fees	8	8
Legal and professional fees	6	3
Research costs	150	25
Other tax related services	31	3
	<u>195</u>	<u>39</u>
Total expenses	<u>10,695</u>	<u>8,275</u>

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

	31.05.19 £'000	31.05.18 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	884	684
Current tax charge	<u>884</u>	<u>684</u>
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	<u>884</u>	<u>684</u>

### 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%) (31.05.18: 20%). The difference is explained below:

	31.05.19 £'000	31.05.18 £'000
Net revenue before taxation	<u>50,236</u>	<u>36,179</u>
Corporation tax at 20%	<u>10,047</u>	<u>7,236</u>

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Effects of:		
Non-taxable dividends	(11,509)	(8,340)
Foreign tax expensed	(25)	(50)
Unutilised excess management expenses	1,487	1,154
Corporation tax charge	–	–
Overseas tax	884	684
Total tax charge (note 6a)	884	684

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £5,478,000 (31.05.18: £3,991,000) 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

	31.05.19 £'000	31.05.18 £'000
Interest payable	–	1
Total interest payable and similar charges	–	1

## 8. Distributions

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

	31.05.19 £'000	31.05.18 £'000
First Interim	12,074	10,094
Second Interim	16,135	9,948
Third Interim	7,147	5,136
Final	24,136	19,930
	59,492	45,108

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Add: Revenue deducted on redemption of shares	1,456	251
Deduct: Revenue received on issue of shares	(1,450)	(1,987)
Net distributions for the year	<u>59,498</u>	<u>43,372</u>

Details of the distributions per share are set out in the table on pages 116 to 118.

	31.05.19 £'000	31.05.18 £'000
Distributions represented by:		
Net revenue after taxation	49,352	35,495
Allocations to capital:		
Expenses, net of tax relief	10,146	7,877
Net distributions for the year	<u>59,498</u>	<u>43,372</u>

## 9. Debtors

	31.05.19 £'000	31.05.18 £'000
Amounts receivable for issue of shares	25	5,596
Sales awaiting settlement	12,291	620
Accrued revenue:		
Non-taxable dividends	6,395	4,323
Taxable dividends	–	880
Interest from debt securities	48	76
	<u>6,443</u>	<u>5,279</u>
Taxation recoverable:		
Overseas withholding tax	419	259
Total debtors	<u>19,178</u>	<u>11,754</u>

**LF MITON UK MULTI CAP INCOME FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 31 May 2019

**10. Cash and Bank Balances**

	31.05.19 £'000	31.05.18 £'000
Bank balances	74,580	62,930
Total cash and bank balances	74,580	62,930
Bank overdraft	–	25
Total bank overdraft	–	25

**11. Creditors**

	31.05.19 £'000	31.05.18 £'000
Distribution payable	16,752	13,806
<b>Other Creditors</b>		
Amounts payable for redemption of shares	7,066	2
Purchases awaiting settlement	–	3,184
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	822	781
Legal and professional fees	1	1
Typesetting costs	1	1
Registration fees	29	31
	853	814



## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	15	15
Transaction charges	1	2
Safe custody and other bank charges	4	16
	20	33
Other expenses	34	8
Total other creditors	<u>7,973</u>	<u>4,041</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 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 102 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 5,732,411 (31.05.18: 12,775,267) 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.

Clearstream Banking S.A. 27.79% (31.05.18: 27.60%)

## 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.18: none).

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 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	6,773,202	4,903,068	398,515,342	132,633,040
Issues	947,970	896,774	92,809,998	43,975,117
Redemptions	(926,780)	(1,069,519)	(39,129,998)	(33,357,732)
Conversions	<u>(1,267,827)</u>	<u>(156,180)</u>	<u>1,217,864</u>	<u>136,901</u>
Closing shares in issue	<u>5,526,565</u>	<u>4,574,143</u>	<u>453,413,206</u>	<u>143,387,326</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.

##### (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 UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

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.

The Fund takes on interest rate risk within its investment portfolio where the ACD and Investment Manager believe that the expected return compensates for the overall risk. The ACD and Investment Manager continue to monitor the level of interest rate risk posed by the Fund's underlying investments on a regular basis. The Fund may also indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no significant direct exposure to interest rate risk, no sensitivity analysis has been presented.

The table below shows the interest rate risk profile:

	31.05.19 £'000	31.05.18 £'000
Fixed rate investments	6,498	10,954
Investments on which interest is not paid	<u>1,144,332</u>	<u>1,126,719</u>
Total investments	<u>1,150,830</u>	<u>1,137,673</u>

Investments on which interest is not paid include equities, collective investment schemes and derivatives.

#### (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

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

The table below shows the direct foreign currency risk profile:

	31.05.19 £'000	31.05.18 £'000
Currency:		
Euros	7,048	33,965
Icelandic krona	48,182	24,401
Norwegian krone	68	10,854
US dollars	11,159	26,527
	<u>66,457</u>	<u>95,747</u>
Pounds sterling	1,153,406	1,098,738
Net assets	<u>1,219,863</u>	<u>1,194,485</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 £3,323,000 on the net assets of the Fund (31.05.18: £4,787,000).

#### (D) LEVERAGE

The Fund did not employ any significant leverage in 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

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £57,542,000 (31.05.18: £56,884,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

#### 16. Portfolio Transaction Costs

31.05.19	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	521,508	338	1,542	523,388
Debt securities	195	–	–	195
Purchases total	<u>521,703</u>	<u>338</u>	<u>1,542</u>	<u>523,583</u>
<i>Transaction cost % of purchases total</i>		<i>0.06%</i>	<i>0.30%</i>	
<i>Transaction cost % of average NAV</i>		<i>0.03%</i>	<i>0.12%</i>	
Ordinary shares	404,216	(267)	–	403,949
Collective investment schemes	58	–	–	58
Debt securities	2,844	–	–	2,844
Sales total	<u>407,118</u>	<u>(267)</u>	<u>–</u>	<u>406,851</u>
<i>Transaction cost % of sales total</i>		<i>0.07%</i>	<i>–</i>	
<i>Transaction cost % of average NAV</i>		<i>0.02%</i>	<i>–</i>	

Average portfolio dealing spread at 31.05.19 is 1.41% (31.05.18: 1.22%).

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

31.05.18	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>	–	

### 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 (see note 1(F) of the Accounting Policies).

31.05.19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>1,133,674</u>	<u>15,089</u>	<u>2,067</u>	<u>1,150,830</u>
31.05.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>1,126,620</u>	<u>8,993</u>	<u>2,060</u>	<u>1,137,673</u>

## LF MITON UK MULTI CAP INCOME FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 May 2019 – in pence per share

#### EQUALISATION

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

Group 2	First Interim	Second Interim	Third Interim	Final
From	01.06.18	01.09.18	01.12.18	01.03.19
To	31.08.18	30.11.18	28.02.19	31.05.19

#### 'A' RETAIL INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 31.10.18	Paid 31.10.17
Group 1	1.7768	–	1.7768	2.0391
Group 2	0.9745	0.8023	1.7768	2.0391

Second Interim	Net Revenue	Equalisation	Paid 31.01.19	Paid 31.01.18
Group 1	2.1685	–	2.1685	1.9360
Group 2	0.8474	1.3211	2.1685	1.9360

Third Interim	Net Revenue	Equalisation	Paid 30.04.19	Paid 30.04.18
Group 1	0.9599	–	0.9599	0.9249
Group 2	0.5114	0.4485	0.9599	0.9249

Final	Net Revenue	Equalisation	Payable 31.07.19	Paid 31.07.18
Group 1	3.4514	–	3.4514	3.2488
Group 2	1.3597	2.0917	3.4514	3.2488

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

**'A' RETAIL ACCUMULATION SHARES**

<b>First Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.10.18</b>	<b>Allocated 31.10.17</b>
Group 1	2.3750	–	2.3750	2.6109
Group 2	1.5071	0.8679	2.3750	2.6109
<b>Second Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.01.19</b>	<b>Allocated 31.01.18</b>
Group 1	2.9250	–	2.9250	2.5076
Group 2	1.2930	1.6320	2.9250	2.5076
<b>Third Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 30.04.19</b>	<b>Allocated 30.04.18</b>
Group 1	1.3108	–	1.3108	1.2119
Group 2	0.7658	0.5450	1.3108	1.2119
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31.07.19</b>	<b>Allocated 31.07.18</b>
Group 1	4.7396	–	4.7396	4.2662
Group 2	2.2589	2.4807	4.7396	4.2662

**'B' INSTITUTIONAL INCOME SHARES**

<b>First Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 31.10.18</b>	<b>Paid 31.10.17</b>
Group 1	1.8697	–	1.8697	2.1298
Group 2	0.9052	0.9645	1.8697	2.1298
<b>Second Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 31.01.19</b>	<b>Paid 31.01.18</b>
Group 1	2.2860	–	2.2860	2.0255
Group 2	1.2657	1.0203	2.2860	2.0255



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

<b>Third Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 30.04.19</b>	<b>Paid 30.04.18</b>
Group 1	1.0141	–	1.0141	0.9714
Group 2	0.5653	0.4488	1.0141	0.9714
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Payable 31.07.19</b>	<b>Paid 31.07.18</b>
Group 1	3.6524	–	3.6524	3.4090
Group 2	1.6459	2.0065	3.6524	3.4090
<b>'B' INSTITUTIONAL ACCUMULATION SHARES</b>				
<b>First Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.10.18</b>	<b>Allocated 31.10.17</b>
Group 1	2.4908	–	2.4908	2.7181
Group 2	1.4410	1.0498	2.4908	2.7181
<b>Second Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.01.19</b>	<b>Allocated 31.01.18</b>
Group 1	3.0733	–	3.0733	2.6152
Group 2	1.6383	1.4350	3.0733	2.6152
<b>Third Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 30.04.19</b>	<b>Allocated 30.04.18</b>
Group 1	1.3800	–	1.3800	1.2675
Group 2	0.9050	0.4750	1.3800	1.2675
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31.07.19</b>	<b>Allocated 31.07.18</b>
Group 1	4.9987	–	4.9987	4.4601
Group 2	2.5095	2.4892	4.9987	4.4601

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

for the year ended 31 May 2019

### **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  
16 September 2019

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2019

#### Introduction

This Annual Report covers the 12 months to 31 May 2019, which has been a challenging period for markets, influenced by concerns over slowing world growth and, in the UK, the outcome of Brexit negotiations.

Although it has still been an unsettled period for markets, the strategy of the Fund remains unchanged.

1. Focus on genuine smaller and micro cap companies. These smaller, more agile stocks tend to have greater scope to buck a wider economic slowdown - hence their long history of outperformance. Generally, small and micro cap stocks with a value bias have outperformed by an even greater margin over the long term.
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.
3. Small and micro cap companies operate across a wider range of industry sectors than those companies contained in the mainstream indices, which are increasingly dominated by giant global companies in a small number of sectors. Consequently, returns of these smaller and micro cap companies are not usually correlated with the daily or monthly moves of the larger quoted companies, which potentially offers diversification for investors.
4. Lastly, a portfolio of holdings with resilient balance sheets can be a major advantage at a time when other over-borrowed companies may be forced to prioritise the needs of their lenders over their commercial interests.

Sentiment towards domestic shares has continued to be impacted by the EU Referendum vote and this was particularly pronounced in the early part of 2019 and especially up to the exit deadline in March and subsequently. The Fund was not set up to capitalise on a particular view about the strength of the UK economy and we have generally looked to avoid stocks that we believe are most exposed to UK economic weakness but sentiment has been affected nonetheless.

Given the focus of the Fund on genuine smaller and micro cap 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.

#### Performance Over the Past 12 Months

The main recent stock market trends include growth stocks outperforming value stocks, negative sentiment towards UK stocks and smaller companies in particular. These trends have been a headwind for returns for the Fund in recent years, but the managers believe there are reasons to expect these to reverse as sentiment towards the UK normalises and overlooked small/micro companies on lowly valuations come back on to the radar, especially when they deliver superior underlying operational performance.

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Macroeconomic concerns culminated in widespread market weakness at the end of 2018 including a dramatic sell-off in growth stocks on concerns about high valuations, global trade and interest rate tightening in the US. The recovery in 2019 has been led by a bounce back in these growth stocks as well as large and mid cap companies as the expectation of further interest rate rises was tempered.

The Fund suffered in the widespread sell-off at the end of 2018 but, at the time of writing, the Fund had not participated in the market recovery. The recovery in smaller companies tends to lag larger stocks following a sell-off but this process has been further delayed by Brexit sentiment. The performance of the Fund is not seen as a consequence of an increased number of disappointments but rather that progress made generally, and especially for successful companies, is not being rewarded in the current environment. In addition, any disappointments are disproportionately impacted. The Fund has benefited from a number of takeovers (Earthport and SafeCharge) as strategic buyers look to capitalise on this current dislocation and the managers see this activity as a good lead indicator for future returns as conditions normalise.

Over the 12 months, the FTSE All-Share Index fell -3.2%<sup>1</sup>. The FTSE AIM All-Share Index declined by -10.1%<sup>1</sup> and the FTSE SmallCap Index (excluding Investment Trusts) fell 7.7%<sup>1</sup>. At its low point, the FTSE AIM All-Share Index where most of the Fund's assets are invested, was down 22.7%<sup>1</sup> from its highs in the year. The recovery in the FTSE AIM All-Share Index has been led by larger, momentum stocks thus far but this rally is expected to broaden. The Fund fell -17.7% over the same period, which is exceptionally disappointing. This compares to the average total return for the IA UK Smaller Companies sector which fell -4.2%<sup>1</sup> in the period. These peers tend to be invested in mid cap stocks that were earlier to participate in the market recovery. Compared to the FTSE AIM All-Share Index, the Fund's portfolio tends to exclude larger AIM-listed stocks, so it missed out on some of the better performers during the year. Furthermore, most holdings are selected on the basis that their prospects are overlooked by others, albeit that their share prices do not always move up in line with the movements of the wider market. Both features held back the Fund's returns for the year.

Notable contributors in the period included Aquis Exchange, Earthport (which was subject to a contested takeover) and SafeCharge (which also received a takeover approach). Weak performers included Yu Group, Bilby and Kape Technologies. Kape continued to perform operationally but it was a larger position in the Fund and suffered share price weakness after a period of strong performance.

When markets peaked in October 2018, it was anticipated that the share prices of overlooked stocks would be less vulnerable. This was indeed the case for most of the Fund's holdings, with the Fund falling 10.2%<sup>1</sup> during October, compared with an 11.3%<sup>1</sup> fall of the FTSE AIM All-Share Index. However, this comparatively resilient performance would have been better had it not been for a setback in Yu Group, one of the Fund's largest holdings.

Yu Group plc is an energy supply business that had performed well over many years, but this trend ended when its share price fell back precipitously in October 2018. Yu Group announced that profits would be downgraded because it had not been making adequate provision for bad debts, and that some of its new customers had not used as much energy as expected in the early months of their new contracts. Since the disappointment,

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Yu Group confirmed at its Full Year results in May that there has been no further deterioration and the business is expected to continue to trade profitably. The shares have recovered, such that the share price at 177.5p at 31 May 2019 is close to the original in-price of 185p in March 2016 but given the shares had been a strong performer, the fall in the year took 2.9% off the Company's overall returns.

Over the 6+ years since issue, the FTSE All-Share Index has appreciated by 60.6%<sup>1</sup> on a total return basis. In comparison, the Fund has appreciated by 112.2% over the same period and the average IA UK Smaller Companies fund has returned 116.0%<sup>1</sup>.

The Fund does not have holdings in private companies and there is no intention to do so. Towards the end of the year, the Fund bought a Put Option (a form of insurance. It is an option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time frame) to mitigate the impact of a market sell-off on the assets of the Fund. The managers felt this was a sensible and prudent measure given the relative cost as market levels were elevated after the recovery in 2019 and volatility was low. The Put Option covers the FTSE 100 Index at a strike price of 6100 out to December 2020. A Put on the FTSE 100 Index is expected to provide protection in the event of a sell-off given its likely correlation with markets.

#### **Brexit and Impact**

Brexit negotiations have influenced the performance of the Fund in the three years since the vote. This has held back UK equities and led them to stand at large valuation discounts to international peers. The impact on volatility and performance has been particularly pronounced in the early part of 2019 and especially so in relation to smaller companies. The uncertainty has led to many companies being overlooked as investors await detail on the terms of the UK's exit from the EU.

When the UK exits the EU, domestically based operations may face short-term interruptions in their supplies or sales. Overall, these effects are expected to be transitory. Whilst this may affect certain holdings in the portfolio, many have overseas sources of revenues and their international operations are not expected to be greatly affected.

That said, the UK Government anticipates that our economy may expand at a slower rate after Brexit, which could moderate longer-term returns. In this context, it is worth emphasising that the Fund was not set up on the basis that the UK economy was superior to others. The wide investible universe provides the opportunity to select stocks that are still able to grow their dividends.

The likely outcomes from the Brexit negotiations are expected to be positive for UK equities in terms of removing current uncertainties. Despite some optimism in early 2019 that a resolution of the terms would be reached, the deadline for withdrawal from the EU has been moved to October and so the process has been prolonged. Nonetheless the managers believe that a resolution will see a resumption of the trend prior to the Brexit vote when the progress of companies held in the Fund was better recognised and the Fund outperformed peers.

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

#### Current Market Trends and Outlook

In past decades, there was a broad political consensus favouring globalisation. But over recent years, the absence of productivity improvement and wage growth, has hardened the attitude of electorates, and they are increasingly voting for change. Nationalist policies are displacing the prior trend of globalisation, and past market norms are evolving.

In the shifting market environment, we believe that the agile and well-capitalised will have greater opportunity. Brexit has left the valuations of many UK quoted companies, and most particularly UK small caps, standing at undemanding levels. Already this has been reflected in an uptick in takeovers in the Fund, and we anticipate this trend is a lead indicator for future returns and could become much broader once the detail of Brexit is determined.

Over the coming months we have to hope that the decisions regarding Brexit are concluded. Clearly the daily newsflow is dominating our media, and hence we can anticipate a general reluctance for international investors to add to their current weightings. Hopefully, once the short term disruption is resolved, then there may be room for renewed interest. Certainly it is interesting to note that a wide valuation discount has opened up between US and UK equities since June 2016.

Longer term, we believe that the lower growth economic background will favour the prospects for quoted small and micro cap stocks. At these times, small and micro cap stocks tend to come into their own. They offer diversification and their corporate agility is a great advantage – especially those that are quoted given their superior access to external capital. For example, during the 1970s and the first half of the 1980s when the UK suffered two severe economic recessions, UK quoted small and micro cap stocks outperformed by a wide margin.

The key point is that the UK is one of the few remaining markets that still retains a plentiful universe of listed small and micro cap companies following globalisation. Thus, whilst Brexit uncertainties may impede domestic growth over the coming years, we anticipate that the particular return characteristics of small and micro cap companies are difficult to access elsewhere.

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

Investment Manager

4 July 2019

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

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

#### 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 significant short term swings (both up and down).

**Concentration Risk:** The Fund may invest in stocks within a particular industry or sector and will have a geographical focus. The Fund is therefore more likely to be subject to large swings (both up and down) in its value than funds which invest more broadly.

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).

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	243.20	214.18	179.01
Return before operating charges*	(41.56)	32.67	38.31
Operating charges	(3.62)	(3.65)	(3.11)
Return after operating charges	(45.18)	29.02	35.20
Distributions	–	–	(0.03)
Closing net asset value per share	198.02	243.20	214.18
* after direct transaction costs of:	0.19	0.21	0.18

##### PERFORMANCE

Return after charges	(18.58)%	13.55%	19.66%
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##### OTHER INFORMATION

Closing net asset value (£'000)	93	210	179
Closing number of shares	46,944	86,465	83,680
Operating charges	1.61% <sup>1</sup>	1.61% <sup>1</sup>	1.61%
Direct transaction costs	0.08%	0.09%	0.09%

##### PRICES

Highest share price	254.14	250.72	217.85
Lowest share price	198.95	210.14	162.96

<sup>1</sup> Due to a regulatory change, 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 operating charges.



## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	243.65	214.59	179.31
Return before operating charges*	(41.64)	32.72	38.39
Operating charges	(3.62)	(3.66)	(3.11)
Return after operating charges	(45.26)	29.06	35.28
Distributions	–	–	(0.03)
Retained distributions on accumulation shares	–	–	0.03
Closing net asset value per share	198.39	243.65	214.59
* after direct transaction costs of:	0.19	0.21	0.18

##### PERFORMANCE

Return after charges	(18.58)%	13.54%	19.68%
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##### OTHER INFORMATION

Closing net asset value (£'000)	2,245	4,142	4,108
Closing number of shares	1,131,517	1,700,222	1,914,328
Operating charges	1.61% <sup>1</sup>	1.61% <sup>1</sup>	1.61%
Direct transaction costs	0.08%	0.09%	0.09%

##### PRICES

Highest share price	254.61	251.19	218.22
Lowest share price	199.32	210.54	163.23

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	247.02	216.96	181.18
Return before operating charges*	(42.38)	33.24	38.98
Operating charges	(1.97)	(1.98)	(1.69)
Return after operating charges	(44.35)	31.26	37.29
Distributions	(0.26)	(1.20)	(1.51)
Closing net asset value per share	202.41	247.02	216.96
* after direct transaction costs of:	0.19	0.21	0.18

##### PERFORMANCE

Return after charges	(17.95)%	14.41%	20.58%
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##### OTHER INFORMATION

Closing net asset value (£'000)	49,886	68,551	43,918
Closing number of shares	24,646,547	27,750,597	20,242,241
Operating charges	0.86% <sup>1</sup>	0.86% <sup>1</sup>	0.86%
Direct transaction costs	0.08%	0.09%	0.09%

##### PRICES

Highest share price	258.23	255.84	222.14
Lowest share price	203.38	212.92	165.08

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	253.75	221.81	183.97
Return before operating charges*	(43.56)	33.97	39.55
Operating charges	(2.02)	(2.03)	(1.71)
Return after operating charges	(45.58)	31.94	37.84
Distributions	(0.27)	(1.23)	(1.53)
Retained distributions on accumulation shares	0.27	1.23	1.53
Closing net asset value per share	208.17	253.75	221.81
* after direct transaction costs of:	0.20	0.22	0.18

##### PERFORMANCE

Return after charges	(17.96)%	14.40%	20.57%
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##### OTHER INFORMATION

Closing net asset value (£'000)	81,007	116,887	149,091
Closing number of shares	38,913,695	46,064,215	67,214,536
Operating charges	0.86% <sup>1</sup>	0.86% <sup>1</sup>	0.86%
Direct transaction costs	0.08%	0.09%	0.09%

##### PRICES

Highest share price	265.25	261.53	225.55
Lowest share price	208.90	217.67	167.60

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 May 2019 (%)

	1 year	3 years	5 years
LF Miton UK Smaller Companies Fund	(17.66)	13.55	17.36

The performance of the Fund is based on the published price per 'B' Institutional 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 150.

#### 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

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	UNITED KINGDOM – 84.05% (31.05.18 – 84.24%)		
	OIL & GAS – 10.54% (31.05.18 – 6.01%)		
	OIL & GAS PRODUCERS – 9.01% (31.05.18 – 5.77%)		
16,904,327	Anglo African Oil & Gas <sup>1</sup>	1,589	1.19
13,803,775	Block Energy <sup>1</sup>	1,560	1.17
1,591,162	Eland Oil & Gas <sup>1</sup>	2,043	1.54
309,558	Gulf Keystone Petroleum	707	0.53
3,800,000	Hurricane Energy <sup>1</sup>	2,202	1.65
4,890,423	I3 Energy <sup>1</sup>	1,883	1.41
6,532,717	Savannah Petroleum <sup>1</sup>	1,290	0.97
6,441,730	Trinity Exploration and Production	725	0.55
	TOTAL OIL & GAS PRODUCERS	<u>11,999</u>	<u>9.01</u>
	OIL EQUIPMENT & SERVICES – 0.49% (31.05.18 – 0.00%)		
523,305	Tekmar <sup>1</sup>	<u>654</u>	<u>0.49</u>
	ALTERNATIVE ENERGY – 1.04% (31.05.18 – 0.24%)		
2,387,925	Hydrodec <sup>1</sup>	<u>1,385</u>	<u>1.04</u>
	TOTAL OIL & GAS	<u>14,038</u>	<u>10.54</u>
	BASIC MATERIALS – 6.86% (31.05.18 – 9.31%)		
	CHEMICALS – 1.06% (31.05.18 – 5.73%)		
227,485	Zotefoams	<u>1,410</u>	<u>1.06</u>
	FORESTRY & PAPER – 0.86% (31.05.18 – 0.86%)		
120,000	James Cropper <sup>1</sup>	<u>1,140</u>	<u>0.86</u>
	MINING – 4.94% (31.05.18 – 2.72%)		
33,225,655	AfriTin Mining <sup>1</sup>	1,063	0.80
9,260,544	Fox Marble <sup>1</sup>	602	0.45
29,467,226	Galantas Gold <sup>1</sup>	1,297	0.97
61,439,139	Jubilee Metals <sup>1</sup>	1,720	1.29

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
17,019,426	Jubilee Metals Warrants 15/1/2023	–	–
10,974,952	Petropavlovsk	913	0.68
9,980,393	Savannah Resources <sup>1</sup>	489	0.37
120,311,255	W Resources <sup>1</sup>	505	0.38
	TOTAL MINING	6,589	4.94
	TOTAL BASIC MATERIALS	9,139	6.86
	INDUSTRIALS – 17.36% (31.05.18 – 11.96%)		
	CONSTRUCTION & MATERIALS – 1.16% (31.05.18 – 1.75%)		
2,871,723	Van Elle <sup>1</sup>	1,551	1.16
	ELECTRONIC & ELECTRICAL EQUIPMENT – 3.20% (31.05.18 – 0.59%)		
1,209,665	Trackwise Designs <sup>1</sup>	1,512	1.13
2,873,585	Volex <sup>1</sup>	2,753	2.07
	TOTAL ELECTRONIC & ELECTRICAL EQUIPMENT	4,265	3.20
	INDUSTRIAL ENGINEERING – 1.01% (31.05.18 – 0.77%)		
19,849,654	TP <sup>1</sup>	1,340	1.01
	INDUSTRIAL TRANSPORTATION – 2.00% (31.05.18 – 0.91%)		
882,168	Eddie Stobart Logistics <sup>1</sup>	715	0.54
108,364,395	Mercantile Ports & Logistics <sup>1</sup>	1,951	1.46
	TOTAL GENERAL INDUSTRIALS	2,666	2.00
	SUPPORT SERVICES – 9.99% (31.05.18 – 7.94%)		
3,787,043	Bilby <sup>1</sup>	1,439	1.08
2,723,552	Frontier <sup>1</sup>	2,124	1.59
3,527,013	Hydrogen <sup>1</sup>	2,539	1.91
1,670,347	Mind Gym <sup>1</sup>	2,004	1.50

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
35,359,618	Newmark Security <sup>1</sup>	265	0.20
963,808	SafeCharge International <sup>1</sup>	4,164	3.13
8,787,500	Wey Education <sup>1</sup>	769	0.58
	TOTAL SUPPORT SERVICES	13,304	9.99
	TOTAL INDUSTRIALS	23,126	17.36
	CONSUMER GOODS – 2.57% (31.05.18 – 3.49%)		
	AUTOMOBILES & PARTS – 0.69% (31.05.18 – 0.92%)		
2,606,209	Autins <sup>1</sup>	912	0.69
	FOOD PRODUCERS – 1.57% (31.05.18 – 1.23%)		
3,663,603	SiS Science in Sport <sup>1</sup>	1,905	1.43
2,458,649	Zambef Products <sup>1</sup>	184	0.14
	TOTAL FOOD PRODUCTS	2,089	1.57
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 0.00% (31.05.18 – 1.06%)	–	–
	PERSONAL GOODS – 0.31% (31.05.18 – 0.28%)		
460,529	Innovaderma	419	0.31
	TOTAL CONSUMER GOODS	3,420	2.57
	HEALTH CARE – 4.02% (31.05.18 – 3.28%)		
	HEALTH CARE EQUIPMENT & SERVICES – 2.33% (31.05.18 – 0.93%)		
2,160,669	Inspiration Healthcare <sup>1</sup>	1,426	1.07
16,745,628	Totally <sup>1</sup>	1,675	1.26
	TOTAL HEALTH CARE EQUIPMENT & SERVICES	3,101	2.33

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	PHARMACEUTICALS & BIOTECHNOLOGY – 1.69% (31.05.18 – 2.35%)		
1,980,685	Oncimmune <sup>1</sup>	1,783	1.34
332,055	Oxford BioDynamics <sup>1</sup>	475	0.35
	TOTAL PHARMACEUTICALS & BIOTECHNOLOGY	2,258	1.69
	TOTAL HEALTH CARE	5,359	4.02
	CONSUMER SERVICES – 2.81% (31.05.18 – 6.03%)		
	GENERAL RETAILERS – 1.26% (31.05.18 – 1.13%)		
6,780,709	Game Digital	1,675	1.26
	MEDIA – 0.03% (31.05.18 – 1.65%)		
806,452	Mirriad Advertising <sup>1</sup>	44	0.03
3,200,000	Phorm <sup>2</sup>	–	–
	TOTAL MEDIA	44	0.03
	TRAVEL & LEISURE – 1.52% (31.05.18 – 3.25%)		
806,203	888	1,059	0.79
1,785,769	Patisserie placing <sup>3</sup>	–	–
3,150,000	Safestay <sup>1</sup>	977	0.73
	TOTAL TRAVEL & LEISURE	2,036	1.52
	TOTAL CONSUMER SERVICES	3,755	2.81
	UTILITIES – 0.75% (31.05.18 – 5.05%)		
	GAS, WATER & MULTIUTILITIES – 0.75% (31.05.18 – 5.05%)		
1,837,889	Fulcrum Utility Services <sup>1</sup>	542	0.40
279,771	Yu <sup>1</sup>	462	0.35
	TOTAL UTILITIES	1,004	0.75



## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	FINANCIALS – 17.04% (31.05.18 – 12.89%)		
	NON-LIFE INSURANCE – 1.03% (31.05.18 – 0.00%)		
3,538,498	Gable <sup>2</sup>	–	–
759,152	Randall & Quilter Investment <sup>1</sup>	1,366	1.03
	TOTAL NON-LIFE INSURANCE	<u>1,366</u>	<u>1.03</u>
	REAL ESTATE INVESTMENT & SERVICES – 3.07% (31.05.18 – 2.41%)		
2,801,893	Conygar <sup>1</sup>	4,091	3.07
2,150,000	Mar City <sup>2</sup>	–	–
	TOTAL REAL ESTATE INVESTMENT & SERVICES	<u>4,091</u>	<u>3.07</u>
	FINANCIAL SERVICES – 12.43% (31.05.18 – 8.66%)		
862,874	Aquis Exchange <sup>1</sup>	4,228	3.17
14,981,325	Argo Blockchain <sup>1</sup>	749	0.56
16,249	Camellia <sup>1</sup>	1,706	1.28
2,660,000	FairPoint <sup>3</sup>	–	–
4,000,000	KR1	340	0.26
2,600,000	Marwyn Management <sup>2</sup>	–	–
206,954,674	Reabold Resources <sup>1</sup>	1,552	1.17
723,055,448	Riverfort Global Opportunities <sup>1</sup>	578	0.43
2,600,000	Share <sup>1</sup>	858	0.65
471,252	Shore Capital <sup>1</sup>	990	0.74
8,350,000	STM <sup>1</sup>	4,175	3.13
3,372,938	Tungsten <sup>1</sup>	1,386	1.04
	TOTAL FINANCIAL SERVICES	<u>16,562</u>	<u>12.43</u>
	EQUITY INVESTMENT INSTRUMENTS – 0.51% (31.05.18 – 1.82%)		
942,655	KRM22 <sup>1</sup>	679	0.51
	TOTAL FINANCIALS	<u>22,698</u>	<u>17.04</u>

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	TECHNOLOGY – 22.10% (31.05.18 – 26.22%)		
	SOFTWARE & COMPUTER SERVICES – 13.94% (31.05.18 – 15.53%)		
489,399	Actual Experience	812	0.61
2,341,564	Attract <sup>1</sup>	796	0.60
6,754,113	Blackbird <sup>1</sup>	355	0.27
2,876,369	CentralNic <sup>1</sup>	1,841	1.38
3,801,988	Cerillion <sup>1</sup>	5,513	4.14
32,405,554	Corero Network	2,268	1.70
556,662	Essensys <sup>1</sup>	1,002	0.75
1,349,650	Ingenta <sup>1</sup>	877	0.66
4,947,622	Kape Technologies	4,057	3.04
14,966,955	Rosslyn Data Technologies <sup>1</sup>	1,048	0.79
	TOTAL SOFTWARE & COMPUTER SERVICES	<u>18,569</u>	<u>13.94</u>
	TECHNOLOGY HARDWARE & EQUIPMENT – 8.16% (31.05.18 – 10.69%)		
1,085,513	Amino Technologies <sup>1</sup>	988	0.74
3,781,134	BATM Advanced Communications	1,815	1.36
22,933	CML Microsystems	66	0.05
2,222,196	Ethernity Networks	556	0.42
1,168,198	IQE <sup>1</sup>	876	0.66
15,171,845	Kromek <sup>1</sup>	3,338	2.51
8,071,507	Nanoco	3,229	2.42
	TOTAL TECHNOLOGY HARDWARE & EQUIPMENT	<u>10,868</u>	<u>8.16</u>
	TOTAL TECHNOLOGY	<u>29,437</u>	<u>22.10</u>
	TOTAL UNITED KINGDOM	<u>111,976</u>	<u>84.05</u>
	CONTINENTAL EUROPE – 2.15% (31.05.18 – 3.87%)		
4,402,408	Norish <sup>1</sup>	2,862	2.15
35,000	Normandy <sup>3</sup>	–	–
	TOTAL CONTINENTAL EUROPE	<u>2,862</u>	<u>2.15</u>

## LF MITON UK SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	AUSTRALIA – 0.57% (31.05.18 – 0.00%)		
12,804,869	Harvest Minerals <sup>1</sup>	755	0.57
	ASIA PACIFIC – 2.26% (31.05.18 – 1.88%)		
51,056,795	Bagir <sup>1</sup>	766	0.57
12,194,344	Simec Atlantis Energy <sup>1</sup>	2,256	1.69
	TOTAL ASIA PACIFIC	<u>3,022</u>	<u>2.26</u>
	NORTH AMERICA – 0.85% (31.05.18 – 1.44%)		
1,224,171	Avesoro Resources <sup>1</sup>	1,126	0.85
	OPTION – 0.97% (31.05.18 – 0.00%)		
510	FTSE 100 Put 6,100 18/12/2020	1,295	0.97
	Portfolio of investments	121,036	90.85
	Net other assets	<u>12,195</u>	<u>9.15</u>
	Net assets	<u>133,231</u>	<u>100.00</u>

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

<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

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2019

Total purchases for the year £'000 (note 15)	54,769	Total sales for the year £'000 (note 15)	76,545
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
Diversified Gas & Oil	3,724	Zotefoams	6,853
Aquis Exchange	2,699	Versarien	4,528
Mind Gym	2,633	Diversified Gas & Oil	4,060
Argo Blockchain	2,397	Ideagen	3,525
Harvest Minerals	2,395	Burford Capital	3,065
Savannah Petroleum	2,085	IG Design	2,742
Michelmersh Brick	1,873	Michelmersh Brick	2,582
Tungsten	1,800	Bioventix	2,541
I3 Energy	1,795	Coats	2,481
Hydrodec	1,791	Earthport	2,366

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

**LF MITON UK SMALLER COMPANIES FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
Income:					
Net capital (losses)/gains	3		(32,187)		23,538
Revenue	4	1,615		2,597	
Expenses	5	(1,469)		(1,618)	
Net revenue before taxation		146		979	
Taxation	6	(2)		(36)	
Net revenue after taxation			144		943
<b>Total return before distributions</b>			(32,043)		24,481
Distributions	7		(170)		(954)
<b>Change in net assets attributable to shareholders from investment activities</b>			(32,213)		23,527

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 May 2019

	£'000	31.05.19 £'000	£'000	31.05.18 £'000
<b>Opening net assets attributable to shareholders</b>		189,790		197,296
Amounts receivable on issue of shares	20,212		25,475	
Amounts payable on redemption of shares	(44,661)		(57,074)	
		(24,449)		(31,599)
Change in net assets attributable to shareholders from investment activities		(32,213)		23,527
Retained distributions on Accumulation shares		103		566
<b>Closing net assets attributable to shareholders</b>		133,231		189,790

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 May 2019

	Notes	31.05.19 £'000	31.05.18 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		121,036	173,523
<b>Current assets</b>			
Debtors	8	795	1,034
Cash and bank balances	9	13,704	16,753
<b>Total assets</b>		<u>135,535</u>	<u>191,310</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	9	(34)	–
Distribution payable	10	(64)	(334)
Other creditors	10	(2,206)	(1,186)
<b>Total liabilities</b>		<u>(2,304)</u>	<u>(1,520)</u>
<b>Net assets attributable to shareholders</b>		<u>133,231</u>	<u>189,790</u>

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2019

#### 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 pages 21 and 22 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	31.05.19 £'000	31.05.18 £'000
Non-derivative securities	(32,004)	23,541
Derivative contracts	(235)	–
Transaction charges	(3)	(3)
Currency gains	55	–
Net capital (losses)/gains	<u>(32,187)</u>	<u>23,538</u>

#### 4. Revenue

	31.05.19 £'000	31.05.18 £'000
Non-taxable dividends	1,578	2,591
Bank interest	37	6
Total revenue	<u>1,615</u>	<u>2,597</u>

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 5. Expenses

	31.05.19 £'000	31.05.18 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,282	1,421
Legal and professional fees	10	9
Typesetting costs	3	3
Registration fees	95	103
	1,390	1,536
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	48	51
Safe custody and other bank charges	10	13
	58	64
Other expenses:		
Audit fees	8	8
Research costs	13	10
	21	18
Total expenses	1,469	1,618

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

	31.05.19 £'000	31.05.18 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	2	36
Current tax charge	2	36
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	2	36



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

for the year ended 31 May 2019

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%) (31.05.18: 20%). The difference is explained below:

	31.05.19 £'000	31.05.18 £'000
Net revenue before taxation	146	979
Corporation tax at 20%	29	196
Effects of:		
Non-taxable dividends	(316)	(518)
Unutilised excess management expenses	287	322
Corporation tax charge	–	–
Overseas tax	2	36
Total tax charge (note 6a)	2	36

c) Deferred tax

At the year end there is a potential deferred tax asset of £1,535,000 (31.05.18: £1,248,000) 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:

	31.05.19 £'000	31.05.18 £'000
Final	167	899
Add: Revenue deducted on redemption of shares	6	108
Deduct: Revenue received on issue of shares	(3)	(53)
Net distributions for the year	170	954

Details of the distributions per share are set out in the table on page 150.

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Distributions represented by:		
Net revenue after taxation	144	943
Allocations to capital:		
Revenue deficit	26	11
Net distributions for the year	<u>170</u>	<u>954</u>

#### 8. Debtors

	31.05.19 £'000	31.05.18 £'000
Amounts receivable for issue of shares	15	399
Sales awaiting settlement	488	78
Accrued revenue:		
Non-taxable dividends	246	513
Taxation recoverable:		
Overseas withholding tax	46	44
Total debtors	<u>795</u>	<u>1,034</u>

#### 9. Cash and Bank Balances

	31.05.19 £'000	31.05.18 £'000
Bank balances	13,704	16,753
Total cash and bank balances	<u>13,704</u>	<u>16,753</u>
Bank overdraft	34	–
Total bank overdraft	<u>34</u>	<u>–</u>

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 10. Creditors

	31.05.19 £'000	31.05.18 £'000
Distribution payable	64	334
<b>Other Creditors</b>		
Amounts payable for redemption of shares	416	400
Purchases awaiting settlement	1,675	633
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	89	125
Typesetting costs	1	1
Registration fees	8	9
	98	135
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	1	4
	5	8
Other expenses	12	10
Total other creditors	2,206	1,186

#### 11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 138 and amounts due at the year end are disclosed in notes 8 and 10.

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 97,051 (31.05.18: 122,773) of the Fund's shares at the balance sheet date.

#### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.18: 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	86,465	1,700,222	27,750,597	46,064,215
Issues	23,425	131,767	3,950,973	4,595,852
Redemptions	(61,547)	(488,070)	(7,099,983)	(11,906,682)
Conversions	(1,399)	(212,402)	44,960	160,310
Closing shares in issue	<u>46,944</u>	<u>1,131,517</u>	<u>24,646,547</u>	<u>38,913,695</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.

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### (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 SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

The table below shows the direct foreign currency risk profile:

	31.05.19 £'000	31.05.18 £'000
Currency:		
Euros	22	21
Icelandic krona	–	3,921
US dollars	–	10
	<u>22</u>	<u>3,952</u>
Pounds sterling	133,209	185,838
Net assets	<u>133,231</u>	<u>189,790</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 £1,000 on the net assets of the Fund (31.05.18: £198,000).

#### (D) LEVERAGE

The Fund did not employ any significant leverage in 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 SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £6,052,000 (31.05.18: £8,676,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

There were no derivatives held of a material nature by the Fund during the current year. The Fund held no derivatives in the prior year.

#### 15. Portfolio Transaction Costs

31.05.19	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	54,738	19	12	54,769
Purchases total	<u>54,738</u>	<u>19</u>	<u>12</u>	<u>54,769</u>
<i>Transaction cost % of purchases total</i>		0.03%	0.02%	
<i>Transaction cost % of average NAV</i>		0.01%	0.01%	
Ordinary shares	76,652	(107)	–	76,545
Sales total	<u>76,652</u>	<u>(107)</u>	<u>–</u>	<u>76,545</u>
<i>Transaction cost % of sales total</i>		0.14%	–	
<i>Transaction cost % of average NAV</i>		0.06%	–	

Average portfolio dealing spread at 31.05.19 is 4.26% (31.05.18: 3.22%).

## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

31.05.18	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	<u>41,802</u>	<u>23</u>	<u>26</u>	<u>41,851</u>
<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	<u>80,333</u>	<u>(121)</u>	<u>–</u>	<u>80,212</u>
<i>Transaction cost % of sales total</i>		0.15%	–	
<i>Transaction cost % of average NAV</i>		0.07%	–	

### 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 (see note 1(F) of the Accounting Policies).

31.05.19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	121,036	–	–	121,036

  

31.05.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	173,392	–	131	173,523

### 17. Subsequent Events

As at 12 September 2019, the net asset value of the Fund has fallen by 39% compared to that at 31 May 2019, primarily due to the redemption of shares. These accounts were approved on 16 September 2019.



## LF MITON UK SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 May 2019 – 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 interim, the final distribution is deemed to run for the whole year.

Group 2	Final
From	01.06.18
To	31.05.19

#### 'A' RETAIL INCOME SHARES

There were no distributions in the current or prior year.

#### 'A' RETAIL ACCUMULATION SHARES

There were no distributions in the current or prior year.

#### 'B' INSTITUTIONAL INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.07.19	Paid 31.07.18
Group 1	0.2576	–	0.2576	1.2036
Group 2	0.2533	0.0043	0.2576	1.2036

#### 'B' INSTITUTIONAL ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.07.19	Allocated 31.07.18
Group 1	0.2658	–	0.2658	1.2272
Group 2	0.2589	0.0069	0.2658	1.2272

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

for the year ended 31 May 2019

### **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

*16 September 2019*

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2019

#### Performance

The Fund returned -5.6% for the year ended 31st May 2019, underperforming the FTSE All-Share Index total return of -3.2%<sup>1</sup> over the corresponding period.

#### Contributions to Performance

The single largest positive contributor to performance was an investment in Future plc, initially made relatively early in the financial year under review. Future, a publisher of periodicals and organiser of associated events, has transitioned its business model from print-led delivery to one that is firmly aligned to the digital era with great success. The company augmented its established recovery programme by acquiring a very similar US-based business and thereafter continued to enjoy very strong trading for the enlarged entity. The strong trading and forthcoming inclusion in the FTSE 250 Index stoked investor enthusiasm and helped the shares to a substantial re-rating. Other notable positive contributions to performance were made by some of the Fund's long-standing investments which extended their already proven operating records with JD Sports (absorbing its US acquisition), Johnson Service Group (adding to capacity) and Marshalls (enjoying very strong trading) notably to the fore.

The largest negative impact was inflicted by the holding in life insurance company Just Group. The initial trigger was a review by the Prudential Regulation Authority (PRA) into the assumptions underlying the wider Lifetime Mortgages industry, a sector where Just Group is a major participant. Although the resulting proposals were at the benign end of the spectrum of possible outcomes, the company nevertheless felt the need to raise further debt and equity capital to bolster its solvency ratios. With the prospect of capital self-sufficiency still some way off, and low confidence in management to deliver on that, the decision was taken to dispose of the investment and move on.

The other negative contributors of note were generally as a result of weakness in the shares of companies who tend to operate in the more economically sensitive sectors of the economy, both here and overseas. The investments in Ashtead (US plant hire), ITV (TV broadcasting and programme production), Melrose Industries (automotive and aerospace production), Smurfit Kappa (cardboard production), and Synthomer (speciality chemicals) all fell into this category, and in the vast majority of instances the weakness in the share price far exceeded any reductions in earnings estimates, as investors de-rated the shares on fears of weaker trading conditions. With the exception of the holding in ITV, all of the aforementioned stocks were retained for the perceived merits of their medium-term prospects.

#### Major Portfolio Changes

Although day-to-day portfolio activity is strictly driven by individual company considerations, it is nonetheless possible to discern general themes when examining purchases and sales made over more extended periods. For the year to 31st May 2019, disposals were dominated by companies operating in more economically sensitive

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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

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

sectors, especially those operating in international markets with sales of Bodycote, IQE, Spectris and Weir of particular note. On the other hand, the exposure to companies with a more domestic consumer orientation was increased as a result of investments in retailers Dunelm (housewares), Next (clothing) and Pets at Home (pet supplies and veterinary services), alongside pub and restaurant operators Fuller Smith & Turner, Greene King and Restaurant Group. The most significant investment made in the year was the purchase of shares in Future plc, noted above, initially for its recovery prospects and then secondly to help fund a highly complementary acquisition of a similar US-based business.

#### Outlook

Many of the concerns which have dogged markets over the previous twelve months continue to feature prominently in investors' minds. At the time of writing, the US-China trade war continues its step-by-step escalation with the negative effects on industrial production being felt not only by the two protagonists but other regions too, especially Europe. At home, Brexit remains the dominant topic of news and the resulting schisms and impasse threaten the long-established two party political system. Moreover, so all-consuming has the issue become it has crowded out and stultified decision making across government departments and the uncertain environment has undoubtedly served to negatively impact corporate decision making and investment plans. The one relative bright spot has been the relative resilience of consumer spending which has been aided by record high levels of employment, increases in real wages and a desire to simply get on with life.

Against this backdrop, the UK equity market remains deeply unloved by international investors who appear willing to allow some consensus and clarity around Brexit to emerge before they are prepared to consider re-investing. On the other hand, such opprobrium has ensured that the UK equity market appears to be relatively cheaply rated against other regional markets and there is ample room for an improvement in sentiment.

The prolonged sluggishness in economies inevitably continues to weigh on those companies whose prospects are generally believed to be most closely aligned to levels of activity, whilst those which are perceived to offer a higher degree of stability and certainty have been increasingly sought after by investors. In the short-term, this stylistic twist is far from an ideal scenario for the investor who more often than not seeks out opportunities for unexpected improvements in operating and financial performance and eschews companies on a highly priced comfortable consensus which might disappoint. That noted, on a stock by stock basis the Fund remains invested in companies across a broad spectrum of sectors where I believe the potential for improvement does exist and will prove rewarding for shareholders.

ANDREW JACKSON  
MITON ASSET MANAGEMENT LIMITED

Investment Manager

19 June 2019

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



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

During the year the indicator changed from 4 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.

**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 (both up and down).

**Concentration Risk:** The Fund may invest in stocks within a particular industry or sector and will have a geographical focus. The Fund is therefore more likely to be subject to large swings (both up and down) in its value than funds which invest more broadly.

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).

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	188.79	180.38	152.95
Return before operating charges*	(9.14)	12.82	31.92
Operating charges	(2.84)	(2.94)	(2.48)
Return after operating charges	(11.98)	9.88	29.44
Distributions	(2.01)	(1.47)	(2.01)
Closing net asset value per share	174.80	188.79	180.38
* after direct transaction costs of:	0.53	0.76	0.69

##### PERFORMANCE

Return after charges	(6.35)%	5.48%	19.25%
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##### OTHER INFORMATION

Closing net asset value (£'000)	90	160	303
Closing number of shares	51,645	84,665	167,847
Operating charges	1.63% <sup>1</sup>	1.60% <sup>1</sup>	1.59%
Direct transaction costs	0.30%	0.41%	0.44%

##### PRICES

Highest share price	194.77	194.21	182.08
Lowest share price	151.33	175.83	129.18

<sup>1</sup> Due to a regulatory change, 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 operating charges.

**LF MITON UK VALUE OPPORTUNITIES FUND****ACD'S REPORT** *continued***FUND INFORMATION** *continued***Comparative Tables** *continued***'A' RETAIL ACCUMULATION SHARES**

<b>CHANGE IN NET ASSETS PER SHARE</b>	<b>31.05.19</b> pence per share	<b>31.05.18</b> pence per share	<b>31.05.17</b> pence per share
Opening net asset value per share	197.11	186.87	156.49
Return before operating charges*	(9.49)	13.29	32.92
Operating charges	(2.98)	(3.05)	(2.54)
Return after operating charges	(12.47)	10.24	30.38
Distributions	(2.11)	(1.61)	(2.10)
Retained distributions on accumulation shares	2.11	1.61	2.10
Closing net asset value per share	184.64	197.11	186.87
* after direct transaction costs of:	0.56	0.78	0.71

**PERFORMANCE**

Return after charges	(6.33)%	5.48%	19.41%
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**OTHER INFORMATION**

Closing net asset value (£'000)	2,609	3,498	3,220
Closing number of shares	1,412,972	1,774,629	1,722,983
Operating charges	1.63% <sup>1</sup>	1.60% <sup>1</sup>	1.59%
Direct transaction costs	0.30%	0.41%	0.44%

**PRICES**

Highest share price	203.37	201.79	187.47
Lowest share price	158.62	182.70	132.17

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	188.67	180.32	152.83
Return before operating charges*	(9.14)	12.84	32.03
Operating charges	(1.54)	(1.57)	(1.31)
Return after operating charges	(10.68)	11.27	30.72
Distributions	(3.33)	(2.92)	(3.23)
Closing net asset value per share	174.66	188.67	180.32
* after direct transaction costs of:	0.53	0.76	0.69

##### PERFORMANCE

Return after charges	(5.66)%	6.25%	20.10%
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##### OTHER INFORMATION

Closing net asset value (£'000)	42,782	52,657	54,881
Closing number of shares	24,493,726	27,909,357	30,435,644
Operating charges	0.88% <sup>1</sup>	0.85% <sup>1</sup>	0.84%
Direct transaction costs	0.30%	0.41%	0.44%

##### PRICES

Highest share price	194.72	194.85	182.65
Lowest share price	151.27	176.24	129.17

<sup>1</sup> Due to a regulatory change, 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 operating charges.



## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	204.91	192.81	160.26
Return before operating charges*	(9.83)	13.78	33.93
Operating charges	(1.68)	(1.68)	(1.38)
Return after operating charges	(11.51)	12.10	32.55
Distributions	(3.63)	(3.14)	(3.40)
Retained distributions on accumulation shares	3.63	3.14	3.40
Closing net asset value per share	193.40	204.91	192.81
* after direct transaction costs of:	0.58	0.81	0.73

##### PERFORMANCE

Return after charges	(5.62)%	6.28%	20.31%
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##### OTHER INFORMATION

Closing net asset value (£'000)	357,947	368,161	254,531
Closing number of shares	185,077,106	179,670,967	132,008,772
Operating charges	0.88% <sup>1</sup>	0.85% <sup>1</sup>	0.84%
Direct transaction costs	0.30%	0.41%	0.44%

##### PRICES

Highest share price	211.49	209.74	193.43
Lowest share price	165.62	188.80	135.45

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 May 2019 (%)

	1 year	3 years	5 years
LF Miton UK Value Opportunities Fund	(5.58)	20.66	53.99

The performance of the Fund is based on the published price per 'B' Institutional 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 179 and 180.

#### 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

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	OIL & GAS – 4.68% (31.05.18 – 2.48%)		
	OIL & GAS PRODUCERS – 4.68% (31.05.18 – 2.48%)		
5,500,000	Diversified Gas & Oil <sup>1</sup>	7,150	1.77
6,000,000	Premier Oil	4,723	1.17
3,500,000	Tullow Oil	6,997	1.74
	TOTAL OIL & GAS PRODUCERS	<u>18,870</u>	<u>4.68</u>
	TOTAL OIL & GAS	<u>18,870</u>	<u>4.68</u>
	BASIC MATERIALS – 3.01% (31.05.18 – 2.82%)		
	CHEMICALS – 2.05% (31.05.18 – 2.27%)		
2,250,000	Synthomer	<u>8,258</u>	<u>2.05</u>
	MINING – 0.96% (31.05.18 – 0.55%)		
13,000,000	Sylvania Platinum <sup>1</sup>	<u>3,900</u>	<u>0.96</u>
	TOTAL BASIC MATERIALS	<u>12,158</u>	<u>3.01</u>
	INDUSTRIALS – 36.94% (31.05.18 – 41.87%)		
	AEROSPACE & DEFENCE – 0.00% (31.05.18 – 0.87%)	<u>–</u>	<u>–</u>
	CONSTRUCTION & MATERIALS – 10.44% (31.05.18 – 9.88%)		
8,132,643	Breedon <sup>1</sup>	5,823	1.44
1,475,000	Costain	4,646	1.15
2,149,086	Henry Boot	5,265	1.31
1,325,000	Marshalls	8,546	2.12
3,650,000	Melrose Industries	5,984	1.48
490,000	Morgan Sindall	6,291	1.56
2,900,000	Norcros	<u>5,568</u>	<u>1.38</u>
	TOTAL CONSTRUCTION & MATERIALS	<u>42,123</u>	<u>10.44</u>

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	ELECTRONIC & ELECTRICAL EQUIPMENT – 5.25% (31.05.18 – 5.71%)		
2,200,000	Morgan Advanced Materials	5,438	1.35
460,290	Oxford Instruments	5,404	1.34
4,114,918	TT Electronics	10,329	2.56
	TOTAL ELECTRONIC & ELECTRICAL EQUIPMENT	21,171	5.25
	GENERAL INDUSTRIALS – 2.89% (31.05.18 – 2.69%)		
5,000,000	Coats	3,885	0.96
300,000	Smurfit Kappa	6,594	1.63
240,000	Vesuvius	1,199	0.30
	TOTAL GENERAL INDUSTRIALS	11,678	2.89
	INDUSTRIAL ENGINEERING – 4.42% (31.05.18 – 6.94%)		
433,517	Hill & Smith	5,224	1.29
125,000	Rhi Magnesita	5,983	1.48
590,000	Vitec	6,637	1.65
	TOTAL INDUSTRIAL ENGINEERING	17,844	4.42
	SUPPORT SERVICES – 13.94% (31.05.18 – 15.78%)		
380,000	Ashtead	7,085	1.76
1,825,336	DiscoverIE	7,630	1.89
5,252,085	Johnson Service <sup>1</sup>	8,404	2.08
5,100,000	Kin and Carta	5,355	1.33
1,613,474	Renew <sup>1</sup>	6,857	1.70
508,691	Ricardo	3,815	0.95
616,073	Robert Walters	3,955	0.98
685,000	SafeCharge International <sup>1</sup>	2,959	0.73
1,328,000	Science <sup>1</sup>	2,630	0.65
12,000,000	Speedy Hire	7,536	1.87
	TOTAL SUPPORT SERVICES	56,226	13.94
	TOTAL INDUSTRIALS	149,042	36.94

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	CONSUMER GOODS – 4.81% (31.05.18 – 8.36%)		
	FOOD PRODUCERS – 0.27% (31.05.18 – 2.86%)		
512,820	Devro	<u>1,105</u>	<u>0.27</u>
	HOUSEHOLD GOODS & HOME CONSTRUCTION – 3.00% (31.05.18 – 4.61%)		
242,500	Bellway	6,647	1.65
1,000,000	Redrow	<u>5,450</u>	<u>1.35</u>
	TOTAL HOUSEHOLD GOODS & HOME CONSTRUCTION	<u>12,097</u>	<u>3.00</u>
	LEISURE GOODS – 0.80% (31.05.18 – 0.89%)		
2,400,000	Sumo <sup>1</sup>	<u>3,240</u>	<u>0.80</u>
	PERSONAL GOODS – 0.74% (31.05.18 – 0.00%)		
1,100,000	Watches of Switzerland	<u>2,970</u>	<u>0.74</u>
	TOTAL CONSUMER GOODS	<u>19,412</u>	<u>4.81</u>
	HEALTH CARE – 2.70% (31.05.18 – 3.73%)		
	PHARMACEUTICALS & BIOTECHNOLOGY – 2.70% (31.05.18 – 3.73%)		
775,000	Clinigen <sup>1</sup>	7,812	1.93
1,292,500	Ergomed <sup>1</sup>	<u>3,102</u>	<u>0.77</u>
	TOTAL HEALTH CARE	<u>10,914</u>	<u>2.70</u>
	CONSUMER SERVICES – 24.56% (31.05.18 – 14.57%)		
	FOOD & DRUG RETAILERS – 1.46% (31.05.18 – 2.63%)		
2,600,000	Tesco	<u>5,884</u>	<u>1.46</u>

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	GENERAL RETAILERS – 8.75% (31.05.18 – 4.21%)		
525,000	Dunelm	4,662	1.16
2,000,000	Findel	3,780	0.94
1,750,000	JD Sports Fashion	10,787	2.67
145,000	Next	8,352	2.07
4,200,000	Pets at Home	7,724	1.91
	TOTAL GENERAL RETAILERS	35,305	8.75
	MEDIA – 8.49% (31.05.18 – 5.49%)		
1,200,000	Ascential	4,601	1.14
1,830,000	Future	20,350	5.05
5,475,000	Huntsworth	5,475	1.36
4,944,909	Reach	3,807	0.94
	TOTAL MEDIA	34,233	8.49
	TRAVEL & LEISURE – 5.86% (31.05.18 – 2.24%)		
1,100,000	Dart <sup>1</sup>	9,862	2.44
348,904	Fuller Smith & Turner 'A'	3,663	0.91
975,000	Greene King	6,222	1.54
4,000,000	Patisserie <sup>2</sup>	–	–
3,000,000	Restaurant	3,912	0.97
	TOTAL TRAVEL & LEISURE	23,659	5.86
	TOTAL CONSUMER SERVICES	99,081	24.56
	FINANCIALS – 17.69% (31.05.18 – 19.61%)		
	BANKS – 4.97% (31.05.18 – 3.78%)		
10,750,000	Lloyds Banking	6,155	1.53
2,800,000	NatWest Markets	5,984	1.48
1,150,000	Standard Chartered	7,898	1.96
	TOTAL BANKS	20,037	4.97
	LIFE INSURANCE – 0.00% (31.05.18 – 1.79%)	–	–

**LF MITON UK VALUE OPPORTUNITIES FUND****ACD'S REPORT** *continued***PORTFOLIO STATEMENT** *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	REAL ESTATE INVESTMENT & SERVICES – 5.96% (31.05.18 – 5.14%)		
55,000	Daejan	3,025	0.75
3,200,000	Harworth	4,016	1.00
1,369,208	Helical Bar	4,957	1.23
1,950,000	St. Modwen Properties	8,482	2.10
1,650,000	Watkin Jones <sup>1</sup>	3,556	0.88
	TOTAL REAL ESTATE INVESTMENT	<u>24,036</u>	<u>5.96</u>
	FINANCIAL SERVICES – 6.76% (31.05.18 – 8.90%)		
1,950,000	Brewin Dolphin	5,912	1.47
1,200,000	Charter Court Financial Services	3,942	0.98
760,000	Intermediate Capital	9,986	2.47
180,000	Schroders	5,251	1.30
4,250,000	Sherborne Investors Guernsey 'C'	2,189	0.54
	TOTAL FINANCIAL SERVICES	<u>27,280</u>	<u>6.76</u>
	TOTAL FINANCIALS	<u>71,353</u>	<u>17.69</u>
	TECHNOLOGY – 2.78% (31.05.18 – 3.76%)		
	TECHNOLOGY HARDWARE & EQUIPMENT – 0.00% (31.05.18 – 1.23%)	–	–
	SOFTWARE & COMPUTER SERVICES – 2.78% (31.05.18 – 2.53%)		
1,100,000	Aptitude Software	4,972	1.23
2,075,000	IMImobile <sup>1</sup>	6,225	1.55
	TOTAL SOFTWARE & COMPUTER SERVICES	<u>11,197</u>	<u>2.78</u>
	TOTAL TECHNOLOGY	<u>11,197</u>	<u>2.78</u>

## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	Portfolio of investments	392,027	97.17
	Net other assets	11,401	2.83
	Net assets	<u>403,428</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of 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> Delisted security.



## LF MITON UK VALUE OPPORTUNITIES FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2019

Total purchases for the year £'000 (note 15)	228,926	Total sales for the year £'000 (note 15)	216,417
<u>Major purchases</u>	<u>Cost £'000</u>	<u>Major sales</u>	<u>Proceeds £'000</u>
Smurfit Kappa	13,819	Prudential	11,906
BT	9,326	GlaxoSmithKline	11,786
NatWest Markets	9,244	BT	8,835
Next	8,320	Barclays	8,353
Tullow Oil	8,135	ITV	7,325
Standard Chartered	7,964	B&M European Value Retail	6,261
Clinigen	7,373	Bodycote	6,168
Morrison (Wm.) Supermarkets	7,277	Morrison (Wm.) Supermarkets	6,054
Schroders	6,872	Weir	5,734
Pets at Home	6,816	Man	5,597

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

**LF MITON UK VALUE OPPORTUNITIES FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
Income:					
Net capital (losses)/gains	3		(33,467)		16,602
Revenue	4	11,336		9,029	
Expenses	5	(3,596)		(3,119)	
Net revenue before taxation		7,740		5,910	
Taxation	6	(19)		(6)	
Net revenue after taxation			7,721		5,904
<b>Total return before distributions</b>			(25,746)		22,506
Distributions	7		(7,723)		(5,904)
<b>Change in net assets attributable to shareholders from investment activities</b>			(33,469)		16,602

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 May 2019

	£'000	31.05.19 £'000	£'000	31.05.18 £'000
<b>Opening net assets attributable to shareholders</b>		424,476		312,935
Amounts receivable on issue of shares	41,635		115,213	
Amounts payable on redemption of shares	(36,055)		(25,617)	
		5,580		89,596
Change in net assets attributable to shareholders from investment activities		(33,469)		16,602
Retained distributions on Accumulation shares		6,841		5,343
<b>Closing net assets attributable to shareholders</b>		403,428		424,476

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 May 2019

	Notes	31.05.19 £'000	31.05.18 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		392,027	412,575
<b>Current assets</b>			
Debtors	8	3,949	2,036
Cash and bank balances	9	14,677	18,350
<b>Total assets</b>		<u>410,653</u>	<u>432,961</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Distribution payable	10	(486)	(470)
Other creditors	10	(6,739)	(8,015)
<b>Total liabilities</b>		<u>(7,225)</u>	<u>(8,485)</u>
<b>Net assets attributable to shareholders</b>		<u>403,428</u>	<u>424,476</u>

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2019

#### 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 pages 21 and 22 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	31.05.19 £'000	31.05.18 £'000
Non-derivative securities	(33,461)	16,610
Transaction charges	(6)	(6)
Currency losses	–	(2)
Net capital (losses)/gains	<u>(33,467)</u>	<u>16,602</u>

#### 4. Revenue

	31.05.19 £'000	31.05.18 £'000
Non-taxable dividends	11,256	9,015
Underwriting commission	43	5
Bank interest	37	9
Total revenue	<u>11,336</u>	<u>9,029</u>

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 5. Expenses

	31.05.19 £'000	31.05.18 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	3,078	2,770
Legal and professional fees	10	10
Typesetting costs	3	2
Registration fees	187	184
	3,278	2,966
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	77	72
Safe custody and other bank charges	16	14
	93	86
Other expenses:		
Audit fees	8	8
Research costs	217	59
	225	67
Total expenses	3,596	3,119

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

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

for the year ended 31 May 2019

**6. Taxation**

	31.05.19 £'000	31.05.18 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	19	6
Current tax charge	19	6
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	19	6

## 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%) (31.05.18: 20%). The difference is explained below:

	31.05.19 £'000	31.05.18 £'000
Net revenue before taxation	7,740	5,910
Corporation tax at 20%	1,548	1,183
Effects of:		
Non-taxable dividends	(2,251)	(1,803)
Unutilised excess management expenses	703	620
Corporation tax charge	–	–
Overseas tax	19	6
Total tax charge (note 6a)	19	6

## c) Deferred tax

At the year end there is a potential deferred tax asset of £3,174,000 (31.05.18: £2,471,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise the amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 7. Distributions

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

	31.05.19 £'000	31.05.18 £'000
Interim	3,148	2,415
Final	4,517	3,742
	<u>7,665</u>	<u>6,157</u>
Add: Revenue deducted on redemption of shares	134	80
Deduct: Revenue received on issue of shares	(76)	(333)
Net distributions for the year	<u>7,723</u>	<u>5,904</u>

Details of the distributions per share are set out in the table on pages 179 and 180.

	31.05.19 £'000	31.05.18 £'000
Distributions represented by:		
Net revenue after taxation	7,721	5,904
Equalisation on conversions <sup>1</sup>	2	–
Net distributions for the year	<u>7,723</u>	<u>5,904</u>

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

#### 8. Debtors

	31.05.19 £'000	31.05.18 £'000
Amounts receivable for issue of shares	19	478
Sales awaiting settlement	3,022	–

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Accrued revenue:		
Non-taxable dividends	908	1,541
Tax recoverable:		
Overseas withholding tax	–	17
Total debtors	<u>3,949</u>	<u>2,036</u>

#### 9. Cash and Bank Balances

	31.05.19 £'000	31.05.18 £'000
Bank balances	<u>14,677</u>	<u>18,350</u>
Total cash and bank balances	<u>14,677</u>	<u>18,350</u>

#### 10. Creditors

	31.05.19 £'000	31.05.18 £'000
Distribution payable	<u>486</u>	<u>470</u>
<b>Other Creditors</b>		
Amounts payable for redemption of shares	990	641
Purchases awaiting settlement	5,410	7,062
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	262	272
Typesetting costs	1	1
Registration fees	16	16
	<u>279</u>	<u>289</u>



## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

	31.05.19 £'000	31.05.18 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	7	7
Transaction charges	–	2
Safe custody and other bank charges	1	5
	8	14
Other expenses	52	9
Total other creditors	<u>6,739</u>	<u>8,015</u>

#### 11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 167 and amounts due at the year end are disclosed in notes 8 and 10.

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

Fundsettle Nominees Ltd 52.63% (31.05.18: 49.68%)

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 232,219 (31.05.18: 253,449) of the Fund's shares at the balance sheet date.

#### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.18: none).

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 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	84,665	1,774,629	27,909,357	179,670,967
Issues	572	358,250	2,513,861	18,548,514
Redemptions	(21,720)	(304,312)	(6,060,551)	(13,429,976)
Conversions	(11,872)	(415,595)	131,059	287,601
Closing shares in issue	51,645	1,412,972	24,493,726	185,077,106

#### 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 UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### (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:

	31.05.19 £'000	31.05.18 £'000
Currency:		
Euros	–	17
US dollars	127	86
	<u>127</u>	<u>103</u>
Pounds sterling	403,301	424,373
Net assets	<u>403,428</u>	<u>424,476</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.

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

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 £19,601,000 (31.05.18: £20,629,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

### 15. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.05.19</b>				
Ordinary shares	227,833	143	950	228,926
Purchases total	227,833	143	950	228,926
<i>Transaction cost % of purchases total</i>		0.06%	0.42%	
<i>Transaction cost % of average NAV</i>		0.03%	0.23%	
Ordinary shares	216,567	(150)	–	216,417
Sales total	216,567	(150)	–	216,417
<i>Transaction cost % of sales total</i>		0.07%	–	
<i>Transaction cost % of average NAV</i>		0.04%	–	

Average portfolio dealing spread at 31.05.19 is 0.54% (31.05.18: 0.56%).

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

31.05.18	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	<u>273,985</u>	<u>217</u>	<u>1,119</u>	<u>275,321</u>
<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	<u>178,584</u>	<u>(164)</u>	<u>–</u>	<u>178,420</u>
<i>Transaction cost % of sales total</i>		0.09%	–	
<i>Transaction cost % of average NAV</i>		0.04%	–	

### 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 (see note 1(F) of the Accounting Policies).

31.05.19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	392,027	–	–	392,027
31.05.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>412,575</u>	<u>–</u>	<u>–</u>	<u>412,575</u>

## LF MITON UK VALUE OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 May 2019 – in pence per share

#### EQUALISATION

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

Group 2	Interim	Final
From	01.06.18	01.12.18
To	30.11.18	31.05.19

#### 'A' RETAIL INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31.01.19	Paid 31.01.18
Group 1	0.6588	–	0.6588	0.5533
Group 2	0.4527	0.2061	0.6588	0.5533

Final	Net Revenue	Equalisation	Payable 31.07.19	Paid 31.07.18
Group 1	1.3505	–	1.3505	0.9129
Group 2	1.1263	0.2242	1.3505	0.9129

#### 'A' RETAIL ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31.01.19	Allocated 31.01.18
Group 1	0.6868	–	0.6868	0.5719
Group 2	0.4559	0.2309	0.6868	0.5719

Final	Net Revenue	Equalisation	Allocation 31.07.19	Allocated 31.07.18
Group 1	1.4186	–	1.4186	1.0360
Group 2	1.2551	0.1635	1.4186	1.0360

**LF MITON UK VALUE OPPORTUNITIES FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

**'B' INSTITUTIONAL INCOME SHARES**

<b>Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 31.01.19</b>	<b>Paid 31.01.18</b>
Group 1	1.3463	–	1.3463	1.2421
Group 2	0.9060	0.4403	1.3463	1.2421

<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Payable 31.07.19</b>	<b>Paid 31.07.18</b>
Group 1	1.9803	–	1.9803	1.6826
Group 2	1.6422	0.3381	1.9803	1.6826

**'B' INSTITUTIONAL ACCUMULATION SHARES**

<b>Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.01.19</b>	<b>Allocated 31.01.18</b>
Group 1	1.4622	–	1.4622	1.3271
Group 2	0.9880	0.4742	1.4622	1.3271

<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31.07.19</b>	<b>Allocated 31.07.18</b>
Group 1	2.1676	–	2.1676	1.8107
Group 2	1.5756	0.5920	2.1676	1.8107

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

for the year ended 31 May 2019

### **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

*16 September 2019*



## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2019

#### Fund Performance

The Fund rose 8.8% compared to a gain of 9.5%<sup>1</sup> for the S&P 500 Index (Sterling adjusted) during the reporting period (see Contributors and Detractors from Performance section below). The Fund returned less than the benchmark as a result of its significant exposure to mid cap stocks. The S&P 400 Midcap Index fell 7.1%<sup>1</sup> in Dollar terms compared to the S&P 500 Index's 3.8%<sup>1</sup> gain.

#### Economic/Market Review

A brief market rally early in June 2018 was later extinguished as President Trump reignited global trade fears. The US announced 25% tariffs on \$50bn worth of Chinese goods effective July 6th. In addition, the President threatened to impose a 20% tariff on all cars imported from the EU. China retaliated with \$50bn of its own tariffs on US goods.

However, US stocks rallied later in the summer on the back of encouraging economic data and a better tone to trade negotiations between the US and its European and South American partners. Most of the major indices rose to all-time highs with the technology-heavy Nasdaq Composite Index crossing the 8,000 threshold for the first time.

Strong gains in retail sales and industrial production indicated economic activity was picking up. This was confirmed by news that GDP for the second quarter had increased by 4.1% year on year - the largest gain in four years. Consumer confidence rose sharply, with the healthy labour market encouraging many Americans to increase their spending plans. Second quarter corporate earnings results were mostly ahead of expectations, however there was a notable exception which rocked confidence in the previously highflying social media sector. Shares in Facebook slumped 19% following its second quarter earnings release. The management team notified analysts that growth was set to slow as data privacy issues impacted site usage. The roughly \$120 billion drop in the company's market value was among the largest such losses in market history.

October and November proved to be two particularly difficult months for investors with stocks relinquishing much of their summer gains. The sell-off appeared to be primarily driven by concerns about higher interest rates but a number of other factors also contributed to the rout including signs of weakness in the global economy and falls in the Chinese stock market. However, the S&P 500 Index was able to stage a remarkable rally at the end of November. The trigger for the move higher was a speech by the Chairman of Federal Reserve, Jerome Powell, where he signalled fresh flexibility in how the central bank intended to set interest rates for an economy facing uncertain crosscurrents over the next year. Stocks were also buoyed by signals from the White House that the oncoming G-20 meeting between President Trump and the Chinese Premier might have a positive outcome.

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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 OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Investor sentiment deteriorated in December and the S&P 500 Index experienced its worst week since August 2011. Stocks fell after the Federal Reserve ('the Fed') defied pressure from Trump and market traders by boosting interest rates for the fourth time in the year. The US central bank lifted the target range for the federal funds rate by another quarter of a point to 2.25-2.5% and suggested it had not finished tightening monetary policy. Unfavourable political developments contributed to a growing sense of panic among market participants. On December 21st, a partial government shutdown occurred and there were rumours that the President sought to remove Fed Chairman Jerome Powell. Two days later, investor anxiety intensified following news that Treasury Secretary Steve Mnuchin had called the top executives from the six largest banks to check on their liquidity and lending infrastructure. With the government shutdown (driven by Trump's refusal to sign off the budget unless it included \$5bn for building a southern border wall) looking set to last into the New Year, a "buyers strike" appeared to have taken hold in the stock market. From the beginning of the month until December 25th the benchmark had fallen nearly 15% including an unprecedented fall of 2.7% on Christmas Eve.

Despite this, stocks were able to sustain a remarkable rally in the first three months of the New Year driven by optimism that a breakthrough on trade talks with China was within reach, a reassessment on the likely direction of interest rates following evidence of a slowdown in global growth and a resolution to the five week partial government shutdown at the end of January.

Mixed to weaker than expected US economic data and concerns about a global slowdown resulted in a sharp fall in US Ten Year Treasury Bond yields. Employment data released in January and February was encouraging but a poor headline figure in March (20,000 jobs created compared to expectations of 180,000) rocked confidence. Housing and manufacturing data were also weak leading investors to conclude that the prospects for further increases in interest rates had sharply diminished, heightening the appeal of stocks. The Technology sector fared particularly well as lower bond yields made valuations of higher growth situations more appealing. Conversely, bank stocks underperformed as the yield curve became inverted in March. The group fell sharply as analysts warned that profit margins on lending activity would shrink.

At the corporate level, trading in Apple's shares was volatile after the company shocked investors by lowering its quarterly revenue guidance. The company blamed slowing economic growth in China for lower than expected iPhone sales although some analysts wondered if the high prices of newer models were deterring buyers. Microchip maker Nvidia also cited China as a principle reason for a profits warning, claiming that computer gamers in China had held off buying its graphics cards as the economic picture deteriorated. However, social media giant Facebook reported a better than expected set of results highlighting the resilience of its business even as it battled through a string of challenges.

The S&P 500 Index continued its ascent in April and closed the month at a record high. Stocks reacted to positive economic data and a lack of any evidence of inflationary pressures which would spur the Fed to raise interest rates.

The monthly payrolls report confirmed that the labour market remained in buoyant. Employers added 196,000 jobs in March, slightly above expectations. The report also revealed that average hourly earnings rose by 3.2% over a year, down from a 3.4% rise in February and implying subdued inflationary pressures in employment. Other economic data appeared to validate the Fed's recent decision to hold off on further increases in official short-term

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

interest rates. Headline inflation increased by a healthy 0.4% in March, but core inflation (less food and energy) rose only 0.1% for the month and 2.1% on a year-over-year basis, its slowest pace in 13 months. The minutes from the Fed's March policy meeting acknowledged that it was "noteworthy" that the exceptionally tight labour market had not fed through into higher inflation.

However, adverse geopolitical developments gave investors plenty to worry about in May and stocks fell. Escalating trade war tensions coupled with mixed economic data and uncertainty on the outlook for interest rates spurred an increase in volatile trading conditions and towards the end of the month investors became increasingly concerned about an inversion in the yield curve.

Among the major US stock indices, the technology-heavy Nasdaq Composite fell sharply, impacted by worries about how the rising U.S.-China trade tensions would disrupt global supply chains. Key constituent Apple fell nearly 13% dragging down shares in the companies providing the specialist microchips used to power its iPhones. The typically defensive utilities sector recorded gains, and health care shares also outperformed as providers made up some of the ground lost in recent months due to worries about a possible "Medicare for All" system promoted by presidential candidate and U.S. Senator Bernie Sanders.

#### Contributors to and Detractors from Performance

Significant positive contributors to the Fund's performance over the period included Worldpay, Total Systems Services and Mondelez International with the stocks adding 1.4%, 1.1% and 0.7% to the Fund's return respectively.

A key part of our investment process is to focus on companies with steady and predictable earnings growth. In addition, we look for companies that generate high levels of cash in relation to the amount of capital invested in the business. Within the technology sector both Worldpay and Total Systems Services met the criteria nicely. Worldpay provides payment-processing services to merchants and financial institutions throughout the US and in the UK. Its business is benefitting from the dramatic increase in the worldwide use of card payments. The shares rose following strong quarterly earnings results and news that the company is to merge with Fidelity National Information Services (also held in the Fund).

Total Systems Services is being acquired by Global Payments in a deal valued at \$21.5bn. This marks the payment industry's third mega merger of the year, reinforcing the attractive investment characteristics of the leading players in the industry. The deal comes as financial technology companies jostle for a bigger share of the nearly \$100bn merchants spend on swipe fees annually. Total System Services is known as an issuer processor, meaning it helps banks manage their credit and debit card portfolios for everything from card authorisations to detecting fraud and calculating rewards.

Mondelez International is the remaining entity of the original Kraft Inc, which spun out its North American Grocery business into a new company called Kraft Foods Group (KRFT). As a result of the transaction the company now has significant exposure to developing markets compared to the other large Consumer Packaged Goods players (roughly 37% of revenues). It is number one or two in every category and region where it competes, offering packaged snacks, beverages, cheese and convenience meals. Mondelez's stock rose over the period following evidence that the management team's plan to improve organic sales growth was working.

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Halliburton, Schlumberger and FedEx detracted from performance.

Shares in oilfield services providers Halliburton and Schlumberger fell with a sell-off in the commodity as analysts cut earnings forecasts in anticipation of lower customer exploration and production activity.

FedEx lowered its profit forecast in December and pared its international freight capacity amid a slowdown in global trade (specifically in Europe and China). In addition, investors focussed on growing competition from Amazon Air.

#### Major Changes to the Portfolio

We bought Amazon, CMS Energy, CoStar, Covetrus, Disney, Enterprise Products Partners, Fidelity National Information Services, IQVIA, Keurig Dr Pepper Snapple, Premier, Roper Technologies, SS&C Technologies and WEC Energy Group.

The valuation of Amazon's stock has compressed over the last year following strong profit growth and little movement in the shares. Most of its earnings now come from corporate subscriptions to its successful Amazon Web Services (AWS) technology division, which is growing at twice the rate of the remaining retail business and with much higher returns on capital. The outlook for the retail segment has strengthened further however, following a period of significant investment. The company has nearly tripled its distribution infrastructure over the last four years so we anticipate market share gains from traditional retailers to persist.

CMS Energy is based in Michigan and owns electric and natural gas utilities. The company is producing stable earnings growth through investments in solar and wind power, energy efficiency and new generation. The regulatory framework is favourable in Michigan and a cost cutting programme is enabling CMS to grow faster than the sector.

CoStar has built a unique database of commercial real estate ('CRE') information which is becoming invaluable to any firm that buys, sells or invests in real estate in the US. In addition, the company is successfully layering other services for renting and managing properties around the core service. With interest rates to remain low for the foreseeable future, the CRE sector will likely remain healthy, providing a solid backdrop for revenue growth and margin expansion.

Covetrus is a provider of pharmaceutical distribution, technology, and services to veterinarians and pet owners globally. The company offers prescription management and home delivery services to customers as well as veterinary practice management information systems. The services offered drive increased prescription compliance by pet owners, higher purchases of medications and consequently increases in practices revenues for vets. We anticipate continued steady growth for the business supported by increased pet adoption trends worldwide.

Disney is a global leader in producing high quality, branded, family entertainment. We expect its Direct-to-Consumer & International business to be the engine for accelerating top line growth at (primarily through the roll-out of Disney+) with its earnings outlook enhanced by strong new movie releases from the Studio Entertainment segment this year and expansion of the Parks and Resorts segment. In addition, its industry-leading IP and global

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

content production/distribution capabilities have been recently strengthened following the company's acquisition of the majority of 21st Century Fox assets. Disney's unique franchise is evidenced by its consistent and high level of profitability (its after tax margin in the last quarter was 18%). The shares now look very attractively valued in our opinion given the growth catalysts ahead.

Enterprise Products Partners (EPP) offers midstream energy services to producers and consumers of natural gas, natural gas liquids, crude oil, refined products and petrochemicals. Operations include gathering, treating, processing, transportation and storage. The company is growing its fee-based revenues as announced projects are completed. In addition, its diverse asset base adds stability to the cash flows.

Fidelity National Information Services is a leading global provider of bank technology, payment processing and related services. The company's growth is accelerating as leading-edge financial technology has become more critical to providers of financial services; banks are increasing spending to remain competitive. The company should be well-positioned to win large international contracts and is highly profitable.

IQVIA helps pharmaceutical and biotechnology companies develop new drugs and it is now the biggest healthcare informatics provider following its merger with IMS Health. The business generates strong and predictable cash flows from customers who rely on IQVIA to help them reduce research costs. The ability to offer access to IMS Health's global market data and intelligence should enhance the value of the services provided and enable IQVIA to win a larger proportion of new contracts.

Keurig Dr Pepper was formed this year through the merger of Dr Pepper Snapple and Keurig Green Mountain. Dr Pepper Snapple manufactures a range of carbonated and non-carbonated beverage brands including Dr Pepper, Canada Dry, 7UP and Snapple. Keurig Green Mountain manufactures single-cup coffee brewers under the Keurig brand and markets both owned and licensed K-cup coffee pods under brands such as Green Mountain Coffee, Donut Shop, Starbucks K-Cups and Dunkin Donuts K-Cups.

Following the merger, the company is in a position to participate in every segment of the non-alcoholic beverage market in the US (at home, on premise, on-the-go, and across nearly all categories). We estimate there are substantial synergies to be gained from the deal and cost savings should result in stronger than expected profit growth over the next two years.

Premier is a Group Purchasing Organisation (GPO) formed by hospitals in order to drive down procurement costs by buying in bulk and sourcing supplies directly. The company should continue to win new contracts now that it has launched additional capabilities such as clinician performance enhancement and service line analytics (for example how to improve cardiovascular treatment outcomes). Demand for Premier's services should grow as the government looks for ways to reduce healthcare costs throughout the US.

Roper manufactures and distributes industrial equipment. It offers industrial controls, fluid handling, pumps, medical and scientific devices and radio frequency (RFID) communication technology. The Roper business model fits our investment process nicely. The management team has a strict focus on asset light, high free cash flow businesses and recurring revenues account for more than 50% of total as a result of aftermarket sales and subscription fees. In addition, most of its products are customised which provides insulation from pricing pressure.

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

SS&C Technologies serves the financial services industry. Customers use its software to facilitate client reporting, regulatory compliance, investment accounting and other key operating functions. The company also offers transaction processing as well as fund administration services. Its business is benefitting from growing demand for software to handle financial and regulatory complexity and customers rarely switch to other providers. The management team has an excellent record of making shrewd acquisitions to broaden the product offering and gain market share.

WEC Energy group provides electric and natural gas utility service to customers in Wisconsin, Illinois, Michigan and Minnesota. The company should generate steady total shareholder returns (including dividends) via relatively low risk investments in ageing electrical and natural gas distribution infrastructure in its markets.

#### Stocks Sold to Fund the Purchases

We sold Fortune Brands, PulteGroup and Eagle Materials. Business for each of these companies is driven by housing activity. Fortune Brands provides kitchen and bath cabinetry, plumbing and related accessories and PulteGroup is a national homebuilder. Eagle manufactures cement, gypsum wallboard, recycled paperboard and concrete and aggregates. We anticipate lower valuations for the stocks given that we appear to be nearer the end of the economic cycle than the beginning.

In addition, we reduced our bank holdings with the sale of Bank of America, KeyCorp and Zions Bancorporation. Loan growth data for the industry has been disappointing and we suspect that banks are being disintermediated by new lending channels - particularly online. We had also hoped that a steeper yield curve would make lending operations more profitable but this has not occurred.

Other sales included FedEx, LKQ Corp, Robert Half International, Salesforce.com and ServiceNow. FedEx announced the departure of the recently appointed COO, the second senior level manager to leave in a short period of time. Historically management turnover has been very low at this company and management instability is a key red flag in our Sell discipline. The business also has a high level of exposure to the Chinese and European economies where growth outlooks have become more uncertain.

Management turnover at recycled auto parts provider, LKQ Corp, was also behind our decision to sell our holding.

Robert Half supplies temporary and permanent personnel for the accounting, finance and legal sectors of the economy. Salesforce.com and ServiceNow provide business management software delivered over the internet with the former focusing on helping customers boost the productivity of their sales and marketing teams and the latter providing software for IT departments to coordinate workflows. The share prices of these companies had good moves since purchase and with valuations near the top of historic ranges we took profits.

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

We cut losses in Affiliated Managers Group, a large global fund management group which includes Artemis. Investors had hoped that success in the alternatives side of the company's operations (hedge funds, private equity etc.) would more than offset price pressure in the traditional long only equities business, resulting in a reacceleration in aggregate earnings growth. Affiliated's quarterly earnings reports were disappointing, however, as lower fund fees combined with weakening global equity markets undermined results.

#### Outlook

Investors seem currently fixated on "late cycle" market conditions which typically prevail after a long expansion. At this point, economic slack has been depleted and asset prices are more richly priced. We now anticipate greater market volatility driven by two conflicting mindsets. Favourable current business conditions support a very positive attitude. Recent GDP data suggests a strong economy with plentiful jobs and busy factories and offices. This encourages a bullish investment approach based on the view that the "good times" might last longer than usual. However, it could easily be possible to adopt a more negative mindset based on the logic that if the US is late in the cycle then a recession cannot be that far off. So, concerns about anything that might bring that day forward (a prolonged trade war or rising interest rates) are justifiable and acting as a brake on further gains for the S&P 500 Index.

These conflicting impulses set the pattern for late cycle markets. The general tendency for prices of higher risk assets such as equities is to rise. But recurring fears of recession mean this rising trend will be punctuated by sometimes violent sell-offs.

This backdrop suits the Fund's investment process as we can use the setbacks to own companies with the qualities we look for (steady, predictable, high cash generative businesses) at more attractive valuations. Recent turnover has been quite low, reflecting our relatively conservative positioning, particularly within the technology sector where we are not involved with companies that stand to lose out in an escalating trade war situation (Apple / semiconductor component suppliers for example).

NICK FORD

MITON ASSET MANAGEMENT LIMITED

Investment Manager

17 June 2019

## LF MITON US OPPORTUNITIES FUND ACD'S REPORT *continued* 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.

**Concentration Risk:** The Fund may invest in stocks within a particular industry or sector and will have a geographical focus. The Fund is therefore more likely to be subject to large swings (both up and down) in its value than other funds which invest more broadly.

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).



## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	208.91	187.26	147.40
Return before operating charges*	20.42	24.85	42.68
Operating charges	(3.58)	(3.20)	(2.82)
Return after operating charges	16.84	21.65	39.86
Distributions	–	–	–
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	225.75	208.91	187.26
* after direct transaction costs of:	0.15	0.37	0.50

##### PERFORMANCE

Return after charges	8.06%	11.56%	27.04%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,799	1,798	1,392
Closing number of shares	797,009	860,406	743,327
Operating charges	1.65% <sup>1</sup>	1.62% <sup>1</sup>	1.59%
Direct transaction costs	0.07%	0.19%	0.28%

##### PRICES

Highest share price	230.44	211.24	196.79
Lowest share price	193.33	184.89	143.69

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'B' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 pence per share	31.05.17 pence per share
Opening net asset value per share	217.23	193.24	150.97
Return before operating charges*	21.31	25.77	43.80
Operating charges	(2.04)	(1.78)	(1.53)
Return after operating charges	19.27	23.99	42.27
Distributions	(0.85)	(0.08)	(0.18)
Retained distributions on accumulation shares	0.85	0.08	0.18
Closing net asset value per share	236.50	217.23	193.24
* after direct transaction costs of:	0.16	0.39	0.51

##### PERFORMANCE

Return after charges	8.87%	12.41%	28.00%
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##### OTHER INFORMATION

Closing net asset value (£'000)	614,269	468,818	277,036
Closing number of shares	259,734,646	215,819,439	143,362,246
Operating charges	0.90% <sup>1</sup>	0.87% <sup>1</sup>	0.84%
Direct transaction costs	0.07%	0.19%	0.28%

##### PRICES

Highest share price	241.28	219.64	202.76
Lowest share price	201.88	191.23	147.24

<sup>1</sup> Due to a regulatory change, 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 operating charges.

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 May 2019 (%)

	1 year	3 years	5 years
LF Miton US Opportunities Fund	8.81	57.92	112.32

The performance of the Fund is based on the published price per 'B' Institutional 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 209.

#### 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

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	UNITED STATES		
	OIL & GAS – 4.33% (31.05.18 – 3.67%)		
735,800	Enterprise Products Partners	16,276	2.64
288,100	Halliburton	4,864	0.79
200,700	Schlumberger	5,524	0.90
	TOTAL OIL & GAS	26,664	4.33
	INDUSTRIALS – 12.65% (31.05.18 – 21.78%)		
376,000	Fastenal	9,126	1.48
68,700	Roper Technologies	18,748	3.04
131,500	Union Pacific	17,399	2.83
186,100	Waste Connections	13,969	2.27
149,400	Watsco	18,650	3.03
	TOTAL INDUSTRIALS	77,892	12.65
	CONSUMER GOODS – 8.83% (31.05.18 – 11.61%)		
874,300	Keurig Dr Pepper	19,555	3.17
468,300	Mondelèz International	18,893	3.07
112,000	POOL	15,958	2.59
	TOTAL CONSUMER GOODS	54,406	8.83
	HEALTH CARE – 15.34% (31.05.18 – 11.56%)		
357,300	Henry Schein	18,270	2.97
142,000	IQVIA	15,304	2.48
213,600	PRA Health Sciences	14,698	2.39
492,000	Premier 'A'	14,345	2.33
84,600	UnitedHealth	16,230	2.63
165,000	Universal Health Services 'B'	15,652	2.54
	TOTAL HEALTH CARE	94,499	15.34

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	CONSUMER SERVICES – 11.32% (31.05.18 – 7.22%)		
13,200	Amazon.com	18,586	3.02
150,200	Disney (Walt)	15,735	2.55
223,900	Lowe's	16,570	2.69
541,200	Service Corp International	18,833	3.06
	TOTAL CONSUMER SERVICES	69,724	11.32
	UTILITIES – 4.92% (31.05.18 – 0.00%)		
307,800	CMS Energy	13,705	2.22
260,200	WEC Energy	16,629	2.70
	TOTAL UTILITIES	30,334	4.92
	FINANCIALS – 19.21% (31.05.18 – 24.00%)		
419,000	Charles Schwab	13,829	2.24
300,100	Intercontinental Exchange	19,567	3.18
145,600	Prosperity Bancshares	7,481	1.21
214,300	Total System Services	21,000	3.41
149,800	Visa	19,173	3.11
201,628	Western Alliance	6,578	1.07
128,800	Wintrust Financial	6,919	1.12
246,700	Worldpay	23,819	3.87
	TOTAL FINANCIALS	118,366	19.21
	TECHNOLOGY – 17.83% (31.05.18 – 19.41%)		
340,900	Cerner	18,925	3.07
42,600	CoStar	17,213	2.79
203,740	Covetrus	3,983	0.65
184,200	Fidelity National Information Services	17,586	2.86
132,700	Microsoft	13,011	2.11
432,800	SS&C Technologies	19,106	3.10
133,600	WEX	20,015	3.25
	TOTAL TECHNOLOGY	109,839	17.83

**LF MITON US OPPORTUNITIES FUND**

**ACD'S REPORT** *continued*

**PORTFOLIO STATEMENT** *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	Portfolio of investments	581,724	94.43
	Net other assets	34,344	5.57
	Net assets	<u>616,068</u>	<u>100.00</u>

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

## LF MITON US OPPORTUNITIES FUND

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2019

Total purchases for the year £'000 (note 16)	348,284	Total sales for the year £'000 (note 16)	277,298
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
Amazon.com	18,353	Robert Half International	13,929
Visa	16,978	Gartner	13,744
Premier 'A'	16,772	CVS Health	13,234
SS&C Technologies	16,670	GoDaddy	12,917
Cerner	16,598	KeyCorp	12,611
Enterprise Products Partners	15,900	Masco	12,512
Keurig Dr Pepper	15,789	Salesforce.com	12,496
CoStar	15,525	FedEx	12,104
Disney (Walt)	15,406	ServiceNow	12,085
Roper Technologies	15,152	Snap-on	11,887

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

**LF MITON US OPPORTUNITIES FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
Income:					
Net capital gains	3		46,157		44,781
Revenue	4	8,318		3,817	
Expenses	5	(5,116)		(3,134)	
Interest payable and similar charges	7	–		(4)	
Net revenue before taxation		3,202		679	
Taxation	6	(1,058)		(526)	
Net revenue after taxation			2,144		153
<b>Total return before distributions</b>			48,301		44,934
Distributions	8		(2,155)		(164)
<b>Change in net assets attributable to shareholders from investment activities</b>			46,146		44,770

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 £'000
<b>Opening net assets attributable to shareholders</b>			470,616		278,428
Amounts receivable on issue of shares		163,438		193,585	
Amounts payable on redemption of shares		(66,350)		(46,342)	
			97,088		147,243
Dilution levy	1(H)		7		–
Change in net assets attributable to shareholders from investment activities			46,146		44,770
Retained distributions on Accumulation shares	8		2,211		175
<b>Closing net assets attributable to shareholders</b>			616,068		470,616



## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 May 2019

	Notes	31.05.19 £'000	31.05.18 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		581,724	467,109
<b>Current assets</b>			
Debtors	9	1,128	1,292
Cash and bank balances	10	44,797	10,971
<b>Total assets</b>		<u>627,649</u>	<u>479,372</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	10	(10,363)	(5,203)
Other creditors	11	(1,218)	(3,553)
<b>Total liabilities</b>		<u>(11,581)</u>	<u>(8,756)</u>
<b>Net assets attributable to shareholders</b>		<u>616,068</u>	<u>470,616</u>

**LF MITON US OPPORTUNITIES FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 May 2019

**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 pages 21 and 22 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:

	31.05.19 £'000	31.05.18 £'000
Non-derivative securities	43,729	44,509
Forward currency contracts	(25)	–
Transaction charges	(1)	(1)
Currency gains	2,454	273
Net capital gains	<u>46,157</u>	<u>44,781</u>

**4. Revenue**

	31.05.19 £'000	31.05.18 £'000
Non-taxable dividends	6,883	3,746
Taxable dividends	698	–
Bank interest	737	71
Total revenue	<u>8,318</u>	<u>3,817</u>

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 5. Expenses

	31.05.19 £'000	31.05.18 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	4,249	2,693
Legal and professional fees	5	5
Typesetting costs	3	3
Registration fees	187	157
	4,444	2,858
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	96	71
Safe custody and other bank charges	21	12
	117	83
Other expenses:		
Audit fees	8	8
Research costs	547	185
	555	193
Total expenses	5,116	3,134

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

	31.05.19 £'000	31.05.18 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	1,058	526
Current tax charge	1,058	526
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	1,058	526

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

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%) (31.05.18: 20%). The difference is explained below:

	31.05.19 £'000	31.05.18 £'000
Net revenue before taxation	3,202	679
Corporation tax at 20%	640	136
Effects of:		
Non-taxable dividends	(1,377)	(749)
Foreign tax expensed	(30)	–
Unutilised excess management expenses	767	613
Corporation tax charge	–	–
Overseas tax	1,058	526
Total tax charge (note 6a)	1,058	526

c) Deferred tax

At the year end there is a potential deferred tax asset of £2,217,000 (31.05.18: £1,450,000) 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

	31.05.19 £'000	31.05.18 £'000
Interest payable	–	4
Total interest payable and similar charges	–	4

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 8. Distributions

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

	31.05.19 £'000	31.05.18 £'000
Final	2,211	175
Add: Revenue deducted on redemption of shares	106	1
Deduct: Revenue received on issue of shares	(162)	(12)
Net distributions for the year	<u>2,155</u>	<u>164</u>

Details of the distributions per share are set out in the table on page 209.

	31.05.19 £'000	31.05.18 £'000
Distributions represented by:		
Net revenue after taxation	2,144	153
Allocations to capital:		
Revenue deficit	11	11
Net distributions for the year	<u>2,155</u>	<u>164</u>

#### 9. Debtors

	31.05.19 £'000	31.05.18 £'000
Amounts receivable for issue of shares	838	954
Accrued revenue:		
Non-taxable dividends	288	336
Taxation recoverable:		
Overseas withholding tax	2	2
Total debtors	<u>1,128</u>	<u>1,292</u>

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 10. Cash and Bank Balances

	31.05.19 £'000	31.05.18 £'000
Bank balances	44,797	10,971
Total cash and bank balances	<u>44,797</u>	<u>10,971</u>
Bank overdraft	10,363	5,203
Total bank overdraft	<u>10,363</u>	<u>5,203</u>

#### 11. Other Creditors

	31.05.19 £'000	31.05.18 £'000
Amounts payable for redemption of shares	679	24
Purchases awaiting settlement	–	3,203
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	395	290
Typesetting costs	1	1
Registration fees	17	15
	413	306
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	8	7
Transaction charges	–	1
Safe custody and other bank charges	2	4
	10	12
Other expenses	116	8
Total other creditors	<u>1,218</u>	<u>3,553</u>

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 12. Related Party Transactions

The Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the ACD'), registration fees payable to Link Fund Administrators Limited and typesetting costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 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 197 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 37.29% (31.05.18: 45.47%)

Link Fund Solutions Limited and its associates (including authorised investment funds managed by Link Fund Solutions or its associates) held 3,436 (31.05.18: 3,202) of the Fund's shares at the balance sheet date.

#### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.18: none).

#### 14. Shares in Issue

	'A' Retail Accumulation	'B' Institutional Accumulation
Annual Management Charge	1.50%	0.75%
Opening shares in issue	860,406	215,819,439
Issues	5,934,308	67,253,648
Redemptions	(5,949,102)	(23,384,944)
Conversions	(48,603)	46,503
Closing shares in issue	<u>797,009</u>	<u>259,734,646</u>

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 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.

##### (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.



## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### (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:

	31.05.19 £'000	31.05.18 £'000
Currency:		
US dollars	616,529	470,188
Pounds sterling	(461)	428
Net assets	<u>616,068</u>	<u>470,616</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 £30,826,000 on the net assets of the Fund (31.05.18: £23,509,000).

#### (D) LEVERAGE

The Fund did not employ any significant leverage in 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.

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

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 £29,086,000 (31.05.18: £23,355,000). 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

31.05.19	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	348,074	210	–	348,284
Purchases total	<u>348,074</u>	<u>210</u>	<u>–</u>	<u>348,284</u>
<i>Transaction cost % of purchases total</i>		0.06%	–	
<i>Transaction cost % of average NAV</i>		0.04%	–	
Ordinary shares	277,483	(182)	(3)	277,298
Sales total	<u>277,483</u>	<u>(182)</u>	<u>(3)</u>	<u>277,298</u>
<i>Transaction cost % of sales total</i>		0.07%	–	
<i>Transaction cost % of average NAV</i>		0.03%	–	

Average portfolio dealing spread at 31.05.19 is 0.03% (31.05.18: 0.02%).

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

31.05.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	373,628	409	–	374,037
Purchases total	<u>373,628</u>	<u>409</u>	<u>–</u>	<u>374,037</u>
<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	<u>220,234</u>	<u>(260)</u>	<u>(5)</u>	<u>219,969</u>
<i>Transaction cost % of sales total</i>		0.12%	–	
<i>Transaction cost % of average NAV</i>		0.07%	–	

### 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 (see note 1(F) of the Accounting Policies).

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

## LF MITON US OPPORTUNITIES FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 May 2019 – 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 year.

Group 2	Interim	Final
From	01.06.18	01.12.18
To	30.11.18	31.05.19

#### '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 31.07.19	Allocated 31.07.18
Group 1	0.8514	–	0.8514	0.0809
Group 2	0.5854	0.2660	0.8514	0.0809

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

for the year ended 31 May 2019

### **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

*16 September 2019*

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2019

#### Fund Performance

The Fund rose 9.1% compared to a loss of 4.0%<sup>1</sup> for the Russell 2000 Index (Sterling adjusted) during the reporting period.

Performance benefited from some impressive quarterly earnings reports from a number of companies held in the portfolio (see Contributors and Detractors from Performance section below).

#### Economic/Market Review

A brief market rally early in June was later extinguished as President Trump reignited global trade fears. The US announced 25% tariffs on \$50bn worth of Chinese goods effective on July 6th. In addition, the President threatened to impose a 20% tariff on all cars imported from the EU. China retaliated with \$50bn of its own tariffs on US goods.

However, US stocks rallied later in the summer on the back of encouraging economic data and a better tone to trade negotiations between the US and its European and South American partners. Most of the major indices rose to all-time highs with the technology-heavy Nasdaq Composite Index crossing the 8,000 threshold for the first time.

Strong gains in retail sales and industrial production indicated economic activity was picking up. This was confirmed by news that GDP for the second quarter had increased by 4.1% year-over-year - the largest gain in four years. Consumer confidence rose sharply, with the healthy labour market encouraging many Americans to increase their spending plans.

October and November proved to be two particularly difficult months for investors with stocks relinquishing much of their summer gains. The sell-off appeared to be primarily driven by concerns about higher interest rates, but a number of other factors also contributed to the rout including signs of weakness in the global economy and falls in the Chinese stock market. However, the Russell 2000 Index was able to stage a remarkable rally at the end of November. The trigger for the move higher was a speech by the Chairman of Federal Reserve ('the Fed'), Jerome Powell, where he signalled fresh flexibility in how the central bank intended to set interest rates for an economy facing uncertain crosscurrents over the next year. Stocks were also buoyed by signals from the White House that the oncoming G-20 meeting between President Trump and the Chinese Premier might have a positive outcome.

Investor sentiment deteriorated in December. Stocks fell after the Fed defied pressure from Trump and market traders by boosting interest rates for the fourth time in the year. The US central bank lifted the target range for the federal funds rate by another quarter of a point to 2.25-2.5% and suggested it had not finished tightening monetary policy. Unfavourable political developments contributed to a growing sense of panic among market

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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 per the Prospectus.

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

participants. On December 21st, a partial government shutdown occurred and there were rumours that the President sought to remove Fed Chairman Jerome Powell. Two days later, investor anxiety intensified following news that Treasury Secretary Steve Mnuchin had called the top executives from the six largest banks to check on their liquidity and lending infrastructure. With the government shutdown (driven by Trump's refusal to sign off the budget unless it included \$5bn for building a southern border wall) looking set to last into the New Year, a "buyers strike" appeared to have taken hold in the stock market and the Russell 2000 Index suffered a sharp decline.

Despite this, stocks were able to sustain a remarkable rally in the first three months of the New Year, driven by optimism that a breakthrough on trade talks with China was within reach, a reassessment in the likely direction of interest rates following evidence of a slowdown in global growth and a resolution to the five week partial government shutdown at the end of January.

Mixed to weaker than expected US economic data and concerns about a global slowdown resulted in a sharp fall in US Ten Year Treasury Bond yields. Employment data released in January and February was encouraging but a poor headline figure in March (20,000 jobs created compared to expectations of 180,000) rocked confidence. Housing and manufacturing data were also weak, leading investors to conclude that the prospects for further increases in interest rates had sharply diminished, heightening the appeal of stocks. The technology sector fared particularly well as lower bond yields made valuations of higher growth situations more appealing. Conversely, bank stocks underperformed as the yield curve became inverted in March. The group fell sharply as analysts warned that profit margins on lending activity would shrink.

The Russell 2000 Index continued its ascent in April. Stocks reacted to positive economic data and a lack of any evidence of inflationary pressures which would spur the Fed to raise interest rates.

The monthly payrolls report confirmed that the labour market remained buoyant. Employers added 196,000 jobs in March, slightly above expectations. The report also revealed that average hourly earnings rose by 3.2% over a year, down from a 3.4% rise in February and implying subdued inflationary pressures in employment. Other economic data appeared to validate the Fed's recent decision to hold off on further increases in official short-term interest rates. Headline inflation increased by a healthy 0.4% in March, but core inflation (less food and energy) rose only 0.1% for the month and 2.1% on a year-over-year basis, its slowest pace in 13 months. The minutes from the Fed's March policy meeting acknowledged that it was "noteworthy" that the exceptionally tight labour market had not fed through into higher inflation.

However, adverse geopolitical developments gave investors plenty to worry about in May and stocks retreated. Escalating trade war tensions coupled with mixed economic data and uncertainty on the outlook for interest rates spurred an increase in volatile trading conditions, and towards the end of the month investors became increasingly concerned about an inversion in the yield curve.

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Among the major US stock indices, the technology-heavy Nasdaq Composite fell sharply, impacted by worries about how the rising U.S.-China trade tensions would disrupt global supply chains. Key constituent Apple fell nearly 13%, dragging down shares in the companies providing the specialist microchips used to power its iPhones. The typically defensive utilities sector recorded gains, and healthcare shares also outperformed as providers made up some of the ground lost in recent months due to worries about a possible "Medicare for All" system promoted by presidential candidate and U.S. Senator Bernie Sanders.

#### Contributors to and Detractors from Performance

Significant positive contributors to the Fund's performance over the period included The Trade Desk, Carvana and Freshpet with the stocks adding 1.91%, 1.86% and 1.24% to the Fund's return respectively.

The Trade Desk has built an online platform which connects buyers of advertising to digital advertising inventory. Buyers use the platform to compete in real time auctions, bidding for inventory across multiple media sources including websites, television and mobile. Investors bid up the shares as analysts raised earnings forecasts following strong quarterly earnings reports.

Carvana is an online used car retailer with a disruptive business model. Its website allows car buyers to inspect vehicles using proprietary 3D technology and have delivery the next day. Car prices are very competitive because there is no sales commission and dealerships to maintain. The company prefers to invest capital in car reconditioning centres instead. Investors were impressed with the company's continued rapid expansion into new markets and strong revenue growth.

Freshpet manufactures fresh pet food which it sells in company-owned refrigerators in approximately 19,500 stores in North America. Its business is benefiting from a growing awareness and preference by pet owners for healthier foods for companion animals.

Core Labs, 2U and Inogen detracted from performance.

Core Labs provides patented reservoir description and production enhancement services to the oil and gas industry worldwide. Investors sold its stock in frustration that activity in the company's key end market (offshore drilling activity) remained subdued and following further cuts in earnings forecasts by industry analysts. The Fund retains relatively little exposure to the energy sector with only two holdings.

2U is one of the largest participants in the large and rapidly growing higher education Online Programme Management business. It offers top-tier universities a cost efficient way to establish an online presence, generating attractive economic returns for its partners. 2U's current share of its addressable market remains small, suggesting continued attractive runway for growth. However, analysts cut profits forecasts for the company as the management team announced plans to increase investment spending to grow the business.

Inogen makes portable oxygen concentrators ('POC') for patients with respiratory problems. The company's growth rate has slowed, causing investors to question optimistic forecasts for the rate of new patient POC adoption by the management team.



## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

#### Major Changes to the Portfolio

We bought Cardlytics, Chegg, GreenSky, Insulet, Kornit Digital, LHC Group, Mesa Laboratories, Neuronetics, OneSpaWorld, OrthoPediatrics, Pluralsight, Redfin, Shotspotter, Tabula Rasa Healthcare, Veracyte and Yext.

Cardlytics has developed a purchase intelligence platform enabling marketers to reach customers with personalised incentive offers when they conduct online banking. It aggregates purchase data from financial institutions and incentivises banking customers to shop or visit merchants. The company has a significant opportunity to grow its business by signing deals with new bank partners.

Chegg is an education technology company that offers online textbook rentals, homework help, online tutoring and internship matching. Its service allows students to make substantial savings on textbooks and eliminate inefficiencies in the education system. The company has established a strong franchise by partnering with publishers and offering students a one-stop suite of essential services. The business generates predictable and growing revenue streams as more students subscribe to Chegg's platform.

GreenSky is a leading technology company that powers commerce at the point of sale. The company's platform facilitates merchant sales while reducing the friction and improving the economics associated with a consumer making a purchase, and a bank extending financing for that purchase. GreenSky was founded 2006 and is a recent IPO.

Insulet's tubeless insulin pumps significantly improve the quality of life for people with diabetes which has become a global epidemic. Its main product, the Omnipod, is an insulin management system with the capability to replace the need for up to fifteen daily injections. Patients obtain better glycaemic control, which means they avoid dangerous fluctuations in blood sugar levels. The company achieved 29% revenue growth year-over-year in its latest quarter reflecting strong demand for its insulin delivery technology.

Kornit Digital focuses exclusively on the digital textile printing industry, offering a wide range of printing systems and consumables. The digital printing industry is expanding due to its advantages over traditional analog processes and the company has developed a proprietary printing system that significantly cuts processing time. Consumables account for a significant percentage of Kornit's sales, resulting in a relatively predictable and high-margin revenue stream.

LHC Group is a home health provider specialising in giving exceptional quality of care. Its business is growing rapidly as hospitals look to partner with the company to help alleviate problems relating to a shortage of beds. Demand is benefitting from the aging US population and the need to reduce healthcare costs: it is often cheaper to treat patients at home rather than in hospital settings. LHC recently merged with a major competitor and is emerging as the dominant home health provider with an excellent reputation.

Mesa Laboratories designs, manufactures and markets instruments and disposable products that improve quality control for industrial and healthcare applications. A high level of sales comes from repeat business and it is expensive for customers to switch to alternative providers so the company has a very stable revenue base. The management team has a proven track record of identifying, acquiring and integrating private niche companies in regulated markets that become accretive to earnings – typically in the first year of ownership.

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Neuronetics is a leader in device-based treatment of Major Depressive Disorder ('MDD'). It targets MDD patients who have not benefited from antidepressants. Its device is seeing strong adoption by psychiatrists following endorsement from peer-reviewed clinical papers and national reimbursement coverage. Revenue growth could accelerate if the device gains approval for treating other indications such as Bipolar and Post Traumatic Stress Disorder (PTSD).

OneSpaWorld provides cruise spa services. The company is nearly ten times the size of its nearest competitor and has longstanding relationships with every major cruise line. The business is asset light (ship operators bear the cost of installing the spas) and generates significant amounts of cash. We expect revenue growth to be driven by a robust cruise ship order book with new ships from existing customers forecast to add 37% to ship berth count by the end of 2023.

OrthoPediatics has developed implants and instruments to improve the lives of children with orthopaedic conditions. This market is underserved with OrthoPediatics one of the few companies focussed on innovation. Following a successful recent IPO, the management team now has the necessary capital to accelerate new product development and drive a higher rate of revenue growth. OrthoPediatics also has a strong reputation with the FDA which results in new products gaining approval relatively quickly.

Pluralsight provides online development and IT training services for software professionals worldwide. The company has created the leading digital technology learning platform - a lower cost/better outcomes option for companies looking to broaden the IT skills of their employees. Its addressable market is substantial and growing yet poorly served by legacy classroom based approaches. Revenue is primarily from annual subscriptions and the percentage of customers renewing annually is high.

Redfin is a digitally focused real estate firm, founded in 2004. Its online platform and unique real estate agent model enables consumers to buy and sell homes at a fraction of the cost of a traditional brokerage firm. The company has the potential to capture significant market share in the fragmented \$75bn real estate market as it adds new services and the convenience of its on-demand technology driven approach continues to attract new customers.

Shotspotter has developed gunfire location and detection technology which it sells to cities and universities. It packages hardware, software and services into a subscription offering which alerts police and hospitals within 30-45 seconds with a greater than 90% detection rate. Shooters are usually identified within a range of 25 metres enabling officers to take action to minimise casualties. Its database can be used by detectives and for producing evidence in court cases. The company has little competition and cities and college campuses throughout the US are considering adopting its technology.

Tabula Rasa Healthcare is a provider of data driven optimisation and risk management solutions to healthcare organisations. Its technology combines clinical and pharmacology data to help doctors prescribe medication to patients which minimises the risk of adverse reactions – a major cause of deaths in the US. Patient harm caused by adverse drug events also prolongs length of stay in hospitals and increases costs. Favourable demographic trends (a greater number of seniors taking multiple medications), as well as increases in chronic disease, should continue to drive strong demand for the company's services.

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Veracyte has developed molecular diagnostic tests to identify thyroid and lung cancers. Its platform enables physicians to make informed treatment decisions early to help reduce healthcare costs. The company has established an important first mover advantage in thyroid cancer stemming from its ability to make rapid diagnoses. At present, many patients undergo unnecessary surgery because doctors cannot be certain cancer is not present; Veracyte's Affirma GEC test eliminates this outcome. The product has been validated by a wealth of clinical data which is driving new coverage for patients from health insurance companies. Thyroid cancer is one of the fastest growing cancers in the US giving Veracyte a large market opportunity.

Yext has built a platform for businesses to manage their digital knowledge in the cloud and sync it to over 150 services including Apple Maps, Microsoft Bing, Facebook, Google Maps, Instagram, Siri and Yelp. Customers such as retailers, restaurant chains and banks use the platform to sync their location data, including addresses and hours of operation across the network. Revenue visibility is very high as customers sign multi-year contracts. Sales grew 33% in the last quarter.

#### Stocks Sold to Fund the Purchases

We sold AMN Healthcare Services, Carriage Services, Financial Engines, Inogen (see above), John Bean Technologies, Mindbody, Nuance Communications, Patrick Industries, Shutterstock, Sprouts Farmers Market and Vonage Holdings. In addition, we cut the Fund's regional banks holdings.

AMN Healthcare Services provides staffing for hospitals. Demand for nurses on shorter-term contracts, a key driver of profit growth, appears to be slowing.

Carriage Services is a death care company. The management team has been unable to deliver consistent results and we are concerned that the industry pricing structure is under pressure as families look for less expensive burial arrangements.

Financial Engines operates as an investment advisory firm. The company offers retirement plans for employees focused on investments, savings and retirement income. The company agreed to a buyout by Hellman and Friedman at \$45 per share. The price represented a premium of over 30% to where the shares were trading prior to the announcement.

John Bean Technologies provides food processing equipment. The company reported disappointing quarterly earnings results indicating falling demand for its products.

Mindbody has developed business management software with a focus on fitness centres and spas. The shares fell after evidence of slowing in new business activity. News that a major US fund management company had bought a stake sparked a rally in the stock and we took advantage of this to exit the position.

Nuance Communications specialises in speech recognition technology. After several research trips to the US, we concluded that the growing number of new competitors in this field would make it more difficult for the company to hit its revenue growth targets.

Patrick Industries manufactures products for recreational vehicle producers and also serves housing, marine and furniture end markets. Unfavourable dealer surveys suggested demand for recreational vehicles would fall short of analyst forecasts.

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### INVESTMENT MANAGER'S REPORT *continued*

Shutterstock operates a global marketplace for commercial digital imagery. Customers search its library of pictures and pay to download the images they wish to use in their work. While revenue growth for the company's first quarter was strong, expenses were far higher than anticipated suggesting that the business may ultimately prove to be less profitable than we had hoped.

Sprouts Farmers Market operates a chain of retail grocery outlets. The shares have performed poorly since we purchased, reflecting a growing preference of consumers for home delivered meals and stronger competition from mass merchants, online and dollar stores.

Vonage Holdings provides cloud communications services. Senior management turnover coupled with declining earnings forecasts prompted us to sell our holding.

Regional banks sold included Cadence Bancorp and WSFS Financial. We have been reducing the Fund's bank exposure because loan growth has been disappointing and we are concerned that competition from new online lenders has begun to intensify.

Elsewhere we top sliced telemedicine provider Teladoc, online used car dealer Carvana and a number of technology holdings following strong share price appreciation.

#### Outlook

Investors seem currently fixated on "late cycle" market conditions which typically prevail after a long expansion. At this point, economic slack has been depleted and asset prices are more richly priced. We anticipate greater market volatility driven by two conflicting mind-sets. Favourable current business conditions support a very positive attitude. Recent GDP data suggests a strong economy with plentiful jobs and busy factories and offices. This encourages a bullish investment approach based on the view that the "good times" might last longer than usual. However, it could easily be possible to adopt a more negative mind-set based on the logic that if the US is late in the cycle, then a recession cannot be that far off. These conflicting impulses set the pattern for late cycle markets. The general tendency for prices of higher risk assets such as equities is to rise. But recurring fears of recession mean this rising trend will be punctuated by sometimes violent sell-offs.

This backdrop suits the Fund's investment process as we can use market setbacks to own companies with the qualities we look for (strong top line growth driven by disruptive business models) at more attractive valuations.

The Fund continues to have significant exposure to businesses with high rates of revenue growth in the business services, technology and healthcare sectors with particular emphasis on companies which have recently listed and have large markets to attack.

NICK FORD

MITON ASSET MANAGEMENT LIMITED

Investment Manager

18 June 2019

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

#### 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 large companies, which means they may be more difficult to buy and sell. Their prices may also be subject to significant short term swings (both up and down).

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).

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'B' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 <sup>1</sup> pence per share
Opening net asset value per share	109.45	100.00
Return before operating charges*	10.04	9.66
Operating charges	(1.15)	(0.21)
Return after operating charges	8.89	9.45
Distributions	–	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	118.34	109.45
* after direct transaction costs of:	0.11	0.02

##### PERFORMANCE

Return after charges	8.12%	9.45%
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##### OTHER INFORMATION

Closing net asset value (£'000)	836	45
Closing number of shares	706,631	40,996
Operating charges	0.98%	0.96% <sup>2</sup>
Direct transaction costs	0.10%	0.09% <sup>2</sup>

##### PRICES

Highest share price	133.36	110.13
Lowest share price	98.60	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

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'F' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.19 pence per share	31.05.18 <sup>1</sup> pence per share
Opening net asset value per share	109.47	100.00
Return before operating charges*	9.99	9.62
Operating charges	(0.81)	(0.15)
Return after operating charges	9.18	9.47
Distributions	–	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	118.65	109.47
* after direct transaction costs of:	0.11	0.02

##### PERFORMANCE

Return after charges	8.39%	9.47%
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##### OTHER INFORMATION

Closing net asset value (£'000)	108,804	82,959
Closing number of shares	91,703,671	75,785,560
Operating charges	0.69%	0.71% <sup>2</sup>
Direct transaction costs	0.10%	0.09% <sup>2</sup>

##### PRICES

Highest share price	133.47	110.15
Lowest share price	98.76	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

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 May 2019 (%)

	1 year	Since launch <sup>1</sup>
LF Miton US Smaller Companies Fund	9.06	20.11

<sup>1</sup> Launched 14 March 2018.

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 241.

#### 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

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	UNITED STATES		
	OIL & GAS – 2.20% (31.05.18 – 2.23%)		
	OIL & GAS PRODUCERS – 1.36% (31.05.18 – 0.98%)		
97,100	ProPetro	1,495	1.36
	OIL EQUIPMENT, SERVICES & DISTRIBUTION – 0.84% (31.05.18 – 1.25%)		
24,200	Core Laboratories	915	0.84
	TOTAL OIL & GAS	2,410	2.20
	INDUSTRIALS – 15.71% (31.05.18 – 19.80% <sup>1</sup> )		
	CONSTRUCTION & MATERIALS – 0.00% (31.05.18 – 2.31%)		
	ELECTRONIC & ELECTRICAL EQUIPMENT – 0.97% (31.05.18 – 0.00%)		
5,400	Mesa Laboratories	1,067	0.97
	INDUSTRIAL ENGINEERING – 1.69% (31.05.18 – 4.21%)		
29,900	Altra Industrial	744	0.68
13,900	Proto Labs	1,107	1.01
		1,851	1.69
	INDUSTRIAL TRANSPORTATION – 2.63% (31.05.18 – 3.63%)		
47,700	Air Transport	830	0.76
24,800	Forward Air	1,098	1.00
30,800	Hub	952	0.87
		2,880	2.63

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	SUPPORT SERVICES – 10.42% (31.05.18 – 9.65% <sup>1</sup> )		
28,000	American Public Education	621	0.57
45,800	Chegg	1,362	1.24
16,100	Grand Canyon Education	1,531	1.40
44,400	Kforce	1,224	1.11
74,700	Kornit Digital	1,681	1.53
112,300	Pluralsight	2,839	2.59
59,500	ShotSpotter	2,172	1.98
		<u>11,430</u>	<u>10.42</u>
	TOTAL INDUSTRIALS	<u>17,228</u>	<u>15.71</u>
	CONSUMER GOODS – 3.24% (31.05.18 – 3.06%)		
	AUTOMOBILES & PARTS – 1.01% (31.05.18 – 1.00%)		
17,100	Dorman Products	<u>1,108</u>	<u>1.01</u>
	FOOD PRODUCERS – 2.23% (31.05.18 – 1.37%)		
66,400	Freshpet	<u>2,442</u>	<u>2.23</u>
	LEISURE GOODS – 0.00% (31.05.18 – 0.69%)	<u>–</u>	<u>–</u>
	TOTAL CONSUMER GOODS	<u>3,550</u>	<u>3.24</u>
	HEALTH CARE – 23.06% (31.05.18 – 12.72% <sup>1</sup> )		
	HEALTH CARE EQUIPMENT & SERVICES – 17.54% (31.05.18 – 10.42% <sup>1</sup> )		
24,900	Avanos Medical	744	0.68
15,400	Dexcom	1,482	1.35
182,500	Evolent Health	1,539	1.41
28,700	Glaukos	1,468	1.34
33,800	Insulet	2,942	2.68
16,900	LHC	1,517	1.38
13,300	Masimo	1,378	1.26
67,200	Neuronetics	608	0.56

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
53,100	OrthoPedictrics	1,636	1.49
40,000	Premier 'A'	1,166	1.06
36,600	Tactile Systems Technology	1,394	1.27
35,700	Teladoc	1,646	1.50
95,100	Veracyte	1,706	1.56
		19,226	17.54
	PHARMACEUTICALS & BIOTECHNOLOGY – 5.52% (31.05.18 – 2.30%)		
38,900	Catalent	1,404	1.28
41,300	Medpace	1,767	1.61
32,400	Repligen	1,782	1.62
33,900	Syneos Health	1,109	1.01
		6,062	5.52
	TOTAL HEALTH CARE	25,288	23.06
	CONSUMER SERVICES – 15.77% (31.05.18 – 14.26%)		
	FOOD & DRUG RETAILERS – 2.24% (31.05.18 – 1.12%)		
11,900	Casey's General Stores	1,217	1.11
23,900	Grubhub	1,235	1.13
		2,452	2.24
	GENERAL RETAILERS – 5.16% (31.05.18 – 4.36%)		
56,100	CarGurus	1,520	1.38
26,200	Carvana	1,203	1.10
14,103	Ollie's Bargain Outlet	1,104	1.01
99,800	Stitch Fix	1,835	1.67
		5,662	5.16
	MEDIA – 3.73% (31.05.18 – 4.68%)		
115,000	QuinStreet	1,400	1.27
17,100	Trade Desk (The)	2,696	2.46
		4,096	3.73

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	RESTAURANTS – 3.49% (31.05.18 – 2.64%)		
46,600	Shake Shack	2,268	2.07
24,600	Wingstop Resturants	1,554	1.42
		<u>3,822</u>	<u>3.49</u>
	TRAVEL & LEISURE – 1.15% (31.05.18 – 1.46%)		
126,966	OneSpaWorld	1,260	1.15
	TOTAL CONSUMER SERVICES	<u>17,292</u>	<u>15.77</u>
	TELECOMMUNICATIONS – 0.00% (31.05.18 – 1.13%)		
	FIXED LINE TELECOMMUNICATIONS – 0.00% (31.05.2018 – 1.13%)	–	–
	TOTAL TELECOMMUNICATIONS	<u>–</u>	<u>–</u>
	FINANCIALS – 11.18% (31.05.18 – 26.00%)		
	BANKS – 6.96% (31.05.18 – 19.37%)		
28,400	Axos Financial	615	0.56
28,800	Carolina Financial	758	0.69
28,300	FB Financial	781	0.71
27,000	First Merchants	712	0.65
58,200	Horizon Bancorp	716	0.65
26,500	Pacific Premier Bancorp	595	0.54
24,100	Preferred Bank	837	0.76
42,800	Seacoast Banking Corporation of Florida	787	0.72
61,600	TriState Capital	1,005	0.92
41,100	Veritex	830	0.76
		<u>7,636</u>	<u>6.96</u>
	REAL ESTATE INVESTMENT & SERVICES – 0.89% (31.05.18 – 0.00%)		
77,800	Redfin	972	0.89

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	FINANCIAL SERVICES – 3.33% (31.05.18 – 6.63%)		
17,500	Green Dot 'A'	645	0.59
20,100	HealthEquity	1,042	0.95
6,600	LendingTree	1,968	1.79
		<u>3,655</u>	<u>3.33</u>
	TOTAL FINANCIALS	<u>12,263</u>	<u>11.18</u>
	TECHNOLOGY – 20.37% (31.05.18 – 18.12%)		
	SOFTWARE & COMPUTER SERVICES – 19.29% (31.05.18 – 17.02%)		
28,000	2U	843	0.77
47,000	Anaplan	1,622	1.48
48,500	Blackline	1,977	1.80
10,700	CACI International	1,727	1.57
86,800	Cardlytics	1,578	1.44
56,554	Eventbrite	701	0.64
25,300	Everbridge	1,578	1.44
122,700	EverQuote	1,100	1.00
174,900	Glu Mobile	1,105	1.01
137,200	GreenSky	1,203	1.10
5,200	Paycom Software	875	0.80
19,700	Q2	1,144	1.04
10,700	Qualys	752	0.69
18,500	Rapid7	767	0.70
11,300	RealPage	523	0.48
20,500	Tabula Rasa HealthCare	735	0.67
200,000	Yext	2,912	2.66
		<u>21,142</u>	<u>19.29</u>

## LF MITON US SMALLER COMPANIES FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2019

Holding	Portfolio of Investments	Value £'000	31.05.19 %
	TECHNOLOGY HARDWARE & EQUIPMENT – 1.08% (31.05.18 – 1.10%)		
48,000	Pure Storage	604	0.55
22,400	Vocera Communications	575	0.53
		1,179	1.08
	TOTAL TECHNOLOGY	22,321	20.37
	UTILITIES – 1.13% (31.05.18 – 0.00%)		
	ELECTRICITY – 1.13% (31.05.18 – 0.00%)		
35,200	NextEra Energy Partners	1,235	1.13
	TOTAL UTILITIES	1,235	1.13
	Portfolio of investments	101,587	92.66
	Net other assets	8,053	7.34
	Net assets	109,640	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. Evolent Health has been reclassified from Support Services to Health Care Equipment & Services.

**LF MITON US SMALLER COMPANIES FUND**  
**ACD'S REPORT** *continued*  
**SUMMARY OF MATERIAL PORTFOLIO CHANGES**

for the year ended 31 May 2019

Total purchases for the year £'000 (note 15)	71,752	Total sales for the year £'000 (note 15)	57,529
	Cost		Proceeds
<b>Major purchases</b>	<b>£'000</b>	<b>Major sales</b>	<b>£'000</b>
Pluralsight	3,718	Carvana	2,719
Yext	3,567	Trade Desk (The)	2,539
Insulet	2,487	Okta	2,367
Stitch Fix	2,298	Planet Fitness	2,323
ShotSpotter	1,968	Q2	1,869
Trade Desk (The)	1,932	Trupanion	1,837
Evolent Health	1,921	Everbridge	1,698
Trupanion	1,652	Paycom Software	1,461
Grubhub	1,620	Financial Engines	1,445
Medpace	1,582	PetIQ	1,382

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

**LF MITON US SMALLER COMPANIES FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 May 2019

	Notes	£'000	31.05.19 £'000	£'000	31.05.18 <sup>1</sup> £'000
Income:					
Net capital gains	3		7,189		7,354
Revenue	4	494		63	
Expenses	5	(695)		(112)	
Net expense before taxation		(201)		(49)	
Taxation	6	(39)		(8)	
Net expense after taxation			(240)		(57)
Total return before distributions			6,949		7,297
Distributions	7		–		–
<b>Change in net assets attributable to shareholders from investment activities</b>					
			6,949		7,297

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
for the year ended 31 May 2019

	£'000	31.05.19 £'000	£'000	31.05.18 <sup>1</sup> £'000
<b>Opening net assets attributable to shareholders</b>		83,004		–
Amounts receivable on issue of shares	23,174		75,707	
Amounts payable on redemption of shares	(3,487)		–	
		19,687		75,707
Change in net assets attributable to shareholders from investment activities		6,949		7,297
<b>Closing net assets attributable to shareholders</b>		109,640		83,004

<sup>1</sup> For the period from 14 March 2018 to 31 May 2018 as the Fund launched on 14 March 2018.



## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 May 2019

	Notes	31.05.19 £'000	31.05.18 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		101,587	80,778
<b>Current assets</b>			
Debtors	8	104	410
Cash and bank balances	9	8,722	1,921
<b>Total assets</b>		<u>110,413</u>	<u>83,109</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Bank overdraft	9	(643)	(55)
Other creditors	10	(130)	(50)
<b>Total liabilities</b>		<u>(773)</u>	<u>(105)</u>
<b>Net assets attributable to shareholders</b>		<u>109,640</u>	<u>83,004</u>

## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2019

#### 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 pages 21 and 22 have been applied to the financial statements of the Fund in the current year and prior period.

#### 3. Net Capital Gains

The net capital gains during the year comprise:

	31.05.19 £'000	For the period from 14.03.18 to 31.05.18 £'000
Non-derivative securities	6,612	7,140
Forward currency contracts	2	–
Transaction charges	–	(1)
Currency gains	575	215
Net capital gains	<u>7,189</u>	<u>7,354</u>

#### 4. Revenue

	31.05.19 £'000	For the period from 14.03.18 to 31.05.18 £'000
Non-taxable dividends	379	56
Bank interest	115	7
Total revenue	<u>494</u>	<u>63</u>

**LF MITON US SMALLER COMPANIES FUND**

**FINANCIAL STATEMENTS** *continued*

**NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 May 2019

**5. Expenses**

	31.05.19 £'000	For the period from 14.03.18 to 31.05.18 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	501	79
Legal and professional fees	5	4
Typesetting costs	2	2
Registration fees	41	5
	549	90
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	35	6
Safe custody and other bank charges	8	–
	43	6
Other expenses:		
Audit fees	8	8
Research costs	95	8
	103	16
Total expenses	695	112

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

**LF MITON US SMALLER COMPANIES FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 31 May 2019

**6. Taxation**

	31.05.19 £'000	For the period from 14.03.18 to 31.05.18 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	39	8
Current tax charge	39	8
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	39	8

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%) (31.05.18: 20%). The difference is explained below:

	31.05.19 £'000	For the period from 14.03.18 to 31.05.18 £'000
Net expense before taxation	(201)	(49)
Corporation tax at 20%	(40)	(10)
Effects of:		
Non-taxable dividends	(76)	(11)
Unutilised excess management expenses	116	21
Corporation tax charge	–	–
Overseas tax	39	8
Total tax charge (note 6a)	39	8

c) Deferred tax

At the year end there is a potential deferred tax asset of £137,000 (31.05.18: £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 year or prior period.

## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 7. Distributions

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

	31.05.19 £'000	For the period from 14.03.18 to 31.05.18 £'000
Net distributions for the year	—	—

Details of the distributions per share are set out in the table on page 241.

	31.05.19 £'000	For the period from 14.03.18 to 31.05.18 £'000
Distributions represented by:		
Net expense after taxation	(240)	(57)
Allocations to capital:		
Revenue deficit	240	57
Net distributions for the year	—	—

#### 8. Debtors

	31.05.19 £'000	31.05.18 £'000
Amounts receivable for issue of shares	93	398
Accrued revenue:		
Non-taxable dividends	9	12
Taxation recoverable:		
Overseas withholding tax	2	—
Total debtors	104	410

## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 9. Cash and Bank Balances

	31.05.19 £'000	31.05.18 £'000
Bank balances	8,722	1,921
Total cash and bank balances	8,722	1,921
Bank overdraft	643	55
Total bank overdraft	643	55

#### 10. Other Creditors

	31.05.19 £'000	31.05.18 £'000
Amounts payable for redemption of shares	46	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	48	34
Typesetting costs	1	2
Registration fees	4	2
	53	38
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	2
Transaction charges	–	1
Safe custody and other bank charges	1	–
	4	3
Other expenses	27	9
Total other creditors	130	50

## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 11. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 229 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 1,797 (31.05.18: 1,797) 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:

Fundsettle Nominees Ltd.	77.38% (31.05.18: 90.60%)
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#### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.18: none).

#### 13. Shares in Issue

	'B' Accumulation	'F' Accumulation
Annual Management Charge	0.75%	0.50%
Opening shares in issue	40,996	75,785,560
Issues	1,720,409	17,850,099
Redemptions	<u>(1,054,774)</u>	<u>(1,931,988)</u>
Closing shares in issue	<u>706,631</u>	<u>91,703,671</u>

## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### 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.

##### (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.



## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

#### (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:

	31.05.19 £'000	31.05.18 £'000
Currency:		
US dollars	109,603	82,912
Pounds sterling	37	92
Net assets	<u>109,640</u>	<u>83,004</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 £5,480,000 on the net assets of the Fund (31.05.18: £4,146,000).

#### (D) LEVERAGE

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

#### (E) LIQUIDITY RISK

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

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

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

#### (F) MARKET PRICE RISK

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

## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

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 £5,079,000 (31.05.18: £4,039,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

#### 15. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.05.19</b>				
Ordinary shares	71,697	55	–	71,752
Purchases total	71,697	55	–	71,752
<i>Transaction cost % of purchases total</i>		0.08%	–	
<i>Transaction cost % of average NAV</i>		0.06%	–	
Ordinary shares	57,570	(40)	(1)	57,529
Sales total	57,570	(40)	(1)	57,529
<i>Transaction cost % of sales total</i>		0.07%	–	
<i>Transaction cost % of average NAV</i>		0.04%	–	

Average portfolio dealing spread at 31.05.19 is 0.11% (31.05.18: 0.07%).

## LF MITON US SMALLER COMPANIES FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2019

31.05.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	73,631	14	–	73,645
Purchases total	<u>73,631</u>	<u>14</u>	<u>–</u>	<u>73,645</u>
<i>Transaction cost % of purchases total</i>		0.02%	–	
<i>Transaction cost % of average NAV</i>		0.02%	–	

There were no sales during this period.

#### 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 (see note 1(F) of the Accounting Policies).

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

#### 17. Subsequent Events

As at 12 September 2019, the net asset value of the Fund has risen by 31% compared to that at 31 May 2019, primarily due to the issue of shares. These accounts were approved on 16 September 2019.

**LF MITON US SMALLER COMPANIES FUND**

**FINANCIAL STATEMENTS** *continued*

**DISTRIBUTION TABLE**

for the year ended 31 May 2019 – in pence per share

There were no distributions during the current year or prior 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

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 every dealing day 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).

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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