

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

Annual Report and Financial Statements
For the year ended 31 December 2023

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COMPANY OVERVIEW

Type of Company

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

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

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

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

STATEMENT OF THE AUTHORISED FUND MANAGER'S (AFM'S) RESPONSIBILITIES

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

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

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

DIRECTOR'S STATEMENT

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

Jonathan M. Child CA

David E. Smith CA

Valu-Trac Investment Management Limited
Authorised Fund Manager

Date 09 April 2024

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

For the year ended 31 December 2023

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

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

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

The Depositary must ensure that:

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

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

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

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

NatWest Trustee and Depositary Services Limited
01 January 2024

Opinion

We have audited the financial statements of VT Teviot Funds ICVC ('the Company') for the year ended 31 December 2023, which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet, the related Notes to the Financial Statements, including significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- > Give a true and fair view of the financial position of the Company as at 31 December 2023 and of the net revenue and the net capital gains on the scheme property of the Company for the year then ended;
- > Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > Have been prepared in accordance with the Investment Association Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes Sourcebook (COLL Rules) of the Financial Conduct Authority and the Instrument of Incorporation.

Basis for Opinion

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

Conclusions Relating to Going Concern

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

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

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

Other Information

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

We have nothing to report in this regard.

Opinion on Other Matters Prescribed by the COLL Regulations

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

- > Proper accounting records for the Company have been kept and the accounts are in agreement with those records;
- > We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- > The information given in the report of the Authorised Fund Manager for the year is consistent with the financial statements.

Responsibilities of the Authorised Fund Manager

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

In preparing the financial statements, the Authorised Fund Manager is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Fund Manager either intends to wind up 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

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

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

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

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

- > UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 and the Investment Association Statement of Recommended Practice for Authorised Funds;
- > the Financial Conduct Authority's COLL Rules; and
- > the Company's Prospectus.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of the Authorised Fund Manager. We corroborated these enquiries through our review of submitted returns, external inspections, relevant correspondence with regulatory bodies and the Company's breaches register.

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

- > Management override of controls; and
- > the completeness and classification of special dividends between revenue and capital.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (Continued)

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- > Reviewing the level of and reasoning behind the Company's procurement of legal and professional services;
- > Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Authorised Fund Manager in its calculation of accounting estimates for potential management bias;
- > Using a third-party independent data source to assess the completeness of the special dividend population and determining whether special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments;
- > Assessing the Company's compliance with the key requirements of the Collective Investment Schemes Sourcebook, and its Prospectus;
- > Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Investment Association Statement of Recommended Practice for Authorised Funds; and
- > Agreement of the financial statement disclosures to supporting documentation.

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

Use of Our Report

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



Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Elgin, United Kingdom

10 April 2024

ACCOUNTING POLICIES

For the year ended 31 December 2023

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

1 Accounting policies

- (a) The financial statements have been prepared in accordance with FRS 102, the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and the amendments to the SORP issued by the IA in June 2017. The functional currency is Sterling.
- (b) There are no material events that have been identified that may cast significant doubt about the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The AFM believes that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.
- (c) All expenses, other than those relating to the purchase and sale of investments, are charged to revenue on an accruals basis. One quarter of total expenses are then reallocated to capital, net of any tax effect for distribution purposes.
- (d) Distributions on equities are recognised when the security is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis.
- (e) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Sub-fund, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.
- (f) Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case. Where the receipt of a special dividend results in a significant reduction in the capital value or where the distribution arises from an underlying capital event such as a merger or disposal these would typically be deemed as capital so as to ensure that the matching principle is applied to gains and losses. Otherwise, the special dividend would typically be recognised as revenue. Where special dividends are treated as revenue, they are included in the amount available for distribution. The tax accounting treatment follows the principal amount.
- (g) Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is 12 noon on 29 December 2023 with reference to quoted bid prices from reliable external sources.
- (h) All transactions in foreign currencies are converted into Sterling at the rate of exchange ruling at the dates of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at 12 noon on 29 December 2023.
- (i) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax.

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

- (j) In certain circumstances the AFM may charge a dilution levy on the sale or repurchase of shares. The levy, which is paid into the Sub-fund, is intended to cover certain charges not included in the bid market value of the Sub-fund, used in calculating the share price, which could have a diluting effect on the performance of the Sub-fund.
- (k) The Sub-fund currently issues Accumulation & Income shares. The Sub-fund goes ex dividend semi-annually and pays any income available to the shareholder two months in arrears, as a dividend distribution. Any revenue deficit at the year end is funded from capital.

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

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

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

SUB-FUND OVERVIEW

| | |
|--------------------------------------|---|
| Name of Sub-fund | VT Teviot UK Smaller Companies Fund |
| Size of Sub-fund | £90,800,301 |
| Launch date | 29 August 2017 |
| Sub-fund objective and policy | <p>The investment objective of the VT Teviot UK Smaller Companies Fund is to achieve a total return (of growth and income, after fees) greater than the Benchmark Index over the long term. The Benchmark Index is the Numis Smaller Companies Index (including AIM but excluding investment Companies).</p> <p>The Sub-fund will seek to achieve its investment objective by investing in a diversified portfolio of companies which shall primarily consist of small UK quoted companies. Small companies are those having a market capitalisation, at the time of purchase, equal to or lower than the largest company in the Numis Smaller Companies Index (including AIM but excluding investment companies).</p> <p>The investments held by the Sub-fund will be primarily in companies domiciled, incorporated or having a significant part of their business in the UK.</p> <p>The Manager actively manages the portfolio in order to achieve the objective and will not be restricted in respect of investments by industrial sectors.</p> <p>In seeking investments the approach will be fundamental in nature: rigorous financial analysis of prospective and existing investments and regular contact with the management of these companies. The emphasis within the portfolio will reflect the desire to invest in companies whose shares represent relatively attractive value within the given stock market context.</p> <p>The Sub-fund's eligible markets, as defined in COLL, include the Official List of the London Stock Exchange plc ("LSE") and the Alternative Investment Market ("AIM") of the LSE. The Sub-fund's base currency is Pounds Sterling.</p> <p>The Sub-fund will not invest in any immovable property or tangible moveable property.</p> <p>In addition to equities, the asset classes in which the Sub-fund may invest includes transferable securities, units in collective investment schemes, money-market instruments, cash and near cash and deposits to the extent permitted for UCITS schemes pursuant to the rules in COLL and in accordance with the Sub-fund's investment powers as set out in the Prospectus.</p> <p>As indicated above, the Sub-fund aims to achieve a total return over the longer term. Nevertheless capital is in fact at risk and there is no guarantee that a total return will be achieved over that specific, or any, time period.</p> |
| Performance Benchmark | <p>The performance benchmark is the Numis Smaller Companies Index (including AIM but excluding investment companies). The performance of the Sub-fund can be compared against that of the benchmark. This benchmark has been selected as it is considered that this index most closely reflects the investments which the Sub-fund will make (and its risk/return objectives). For the avoidance of doubt, the Investment Manager is not bound or influenced by the index when making its decisions and can make investments that are not included in the index.</p> |
| Derivatives | <p>The Sub-fund may hold derivatives for efficient portfolio management purposes. It is not intended that the use of derivatives for efficient portfolio management purposes will increase the risk profile of the Sub-fund.</p> |
| Investment Restrictions | <p>The Sub-fund may not invest more than 10% of its value in other collective investment schemes and may not invest in other Sub-funds of the Company.</p> |
| Authorised Fund Manager (AFM) | Valu-Trac Investment Management Limited |

SUB-FUND OVERVIEW (Continued)

| | |
|---|--|
| Ex-distribution dates | 30 June, 31 December |
| Distribution dates | 31 August, last day of February |
| Individual Savings Account (ISA) | The Company is a qualifying investment for inclusion in an ISA. |
| Share Classes | Accumulation / Income |
| Type of Shares | Accumulation and Income shares will be available at the launch date. No distinction is being drawn between institutional and retail share classes. |
| Minimum investment* | |
| Lump sum subscription: | Accumulation/Income = £1,000 |
| Top-up: | Accumulation/Income = £500 |
| Holding: | Accumulation/Income = £500 |
| Redemption: | £500 (provided minimum holding is maintained) |
| Switching: | £500 (provided minimum holding is maintained) |

*The AFM may waive the minimum levels at its discretion.

Initial, redemption and switching charges Nil

Annual management charges to 25 January 2024

£38,140* per annum

Plus:

Net Accumulation/Income - 0.75%

Gross Accumulation/Income - 0.75%

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

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

Annual management charges from 26 January 2024

£68,652* per annum

Plus:

Net Accumulation/Income - 0.75%

Gross Accumulation/Income - 0.75%

Plus:

Up to £100 million Net Asset Value – 0.015% (per annum)

£100 million to £250 million Net Asset Value – 0.0075% (per annum)

£250 million to £500 million Net Asset Value – 0.005% (per annum)

thereafter – 0.0025% (per annum)

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

*The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Price Index) on 1 July each year from 1 July 2024. In the event of negative inflation the fixed element of the fee shall remain unchanged.

Introduction

The VT Teviot UK Smaller Companies Fund was launched in August 2017. Since then, the Fund's Accumulation units have risen by 78%, materially out-performing its benchmark index (the Deutsche Numis Smaller Companies Index excluding Investment Companies, including AIM) which has provided a total return of only 11% over the same time-period.

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

Performance

In the year to December 2023, the Fund was up 2.9% (Accumulation). This slightly under-performed the Index benchmark, which rose by 3.2%. Nonetheless, the Fund is well-positioned for the strong rally in UK small-caps that we deem likely - given the low valuations, and our expectation of economic recovery now that interest rates and inflation are no longer rising.

That modest 2.9% increase in the year masks a fair degree of volatility as stock markets responded to factors such as rising inflation, rising interest rates in the UK and elsewhere, and more latterly the Israel / Gaza conflict. In two individual months (March and October) the fund was down more than 5%, but a robust last two months (+7% in November and +6% in December) was much more encouraging, illustrating the potential for UK smaller companies to perform strongly when investors' capital returns to the asset class after a period of outflows.

The Fund's main positive contributors to performance included social housing services provider Mears (+57% in the year), pensions consultancy XPS (+72%), food & drink wholesaler Kitwave (+42%), network management software stock IQGeo (+64%), motor insurer Sabre (+47%) and travel company Jet2 (+32%). All had positive newsflow regarding current trading and their outlooks. In addition, the takeovers of the Fund's holdings in Sureserve (+44%), Lookers (+76%), Smoove (+49%) and Ten Entertainments (+46%) were beneficial. We would expect M&A to remain a feature given the undervaluation of UK small caps compared to historic norms.

Key detractors in the year were Videndum (-66%; profit warnings caused by the screenwriters' strikes in the US and the need for a rights issue), Drax (-27%; Government deferral of Drax's carbon capture plans), Wynnstay (-40%; weak agricultural markets), Xaar (-41%; deferred recovery in demand) and Indivior (-36%; litigation costs and reduced growth expectations).

Relative to the Index benchmark, the Fund benefited from not owning several stocks that fell heavily on disappointing trading such as Spirent (-51%), S4 Capital (-72%), iEnergizer (-85%), Cirata (-92%) and Synthomer (-82%). Conversely, in a year in which a large number of stocks were demoted into the Index after falling heavily in 2022, several of those then bounced hard (and have now been promoted back out of the Index) such as Carnival (+127%), Burford (+84%), Bridgepoint (+53%) and Deliveroo (+49%). This effect is expected to be much reduced in 2024.

Sectorally, relative to the Index, the Fund continues to be underweight Financials, Real Estate, Basic Materials, Consumer Discretionary, Technology and Health Care; and overweight Industrials (largely via the Industrial Support Services sub-sector), Utilities, Consumer Staples and Telecoms. The underweights in Health Care and Energy were beneficial, whilst amongst the sub-sectors, the Fund's overweight positions in Personal Care & Grocery and Construction & Materials served it well. Meanwhile, our overweight in Utilities was detrimental, as were our underweight positions in consumer-exposed areas such as Travel & Leisure and Retailers (these were hit hard in 2022 but rallied as energy costs reduced and trading improved). Underweights in the Banks and REITs sub-sectors also proved unhelpful.

Portfolio Activity

The fund reinvested the cash received from the 2022-announced takeovers of RPS Group, Devro and EMIS, and the takeovers in 2023 of Sureserve, Lookers and Smoove. There was also some recycling of the profits from the strong performances of larger holdings such as Kitwave and Mears. A focus was made on new holdings that have been hit hard by the global downturn, or to gain exposure to sectors where we were underweight and felt that valuations have become more attractive - thus offering recovery potential when the economic cycle turns upwards. Examples include Gamma Communications (telecoms services), Integrafon (owner of the Transact investment platform), Redde Northgate (vehicle services), Impax Asset Management (attractive ESG focus), and global industrial companies Morgan Advanced Materials and Bodycote. Our negative stance on the UK consumer was reduced with the additions of Halfords, Rank and Ten Entertainment - although in this latter case, it was taken over only a few months after being added to the Fund.

For the same reasons, existing holdings in Clarkson (shipping services), Tyman (door & window security products) and Keller (geotechnical contractor for construction) were added to. Holdings in stocks where we had less conviction in their recovery potential were cut - such as Essentra, R&Q, Avon Protection, C&C, CT Auto and Liontrust.

INVESTMENT MANAGER'S REVIEW (Continued)

Income

The Fund's full year distribution to December 2023 is 4.7181p per share (Income units), compared to 4.3932p in 2022. This growth of 7.4% is a more normal level compared to the elevated increase in 2022 as companies' profits recovered from the pandemic. Given the investment style of the manager, dividends are an important component of long-term investment returns, and the portfolio will typically exhibit a yield premium relative to the investment benchmark.

Outlook

Investors' risk appetite is improving, after several years of severe uncertainty – affected by the pandemic, rising inflation, rising interest rates, and warfare in Ukraine and Gaza. Concerns rightly remain, and global economic recovery is not assured. However, after material under-performance, the valuations of UK smaller companies are not pricing in a rosy scenario. M&A activity has been strong, and seems set to continue in the absence of a material uplift in the share prices of our universe of stocks. There has been a substantial withdrawal of capital from our Index – undoubtedly there is much potential investor capital currently sat on the sidelines, waiting for the perceived 'right moment'. In our experience, the nature of an illiquid asset class makes it nigh-on impossible to accurately predict this timing, but we have seen that capital is beginning to be re-allocated to UK smaller companies, and interest is rising. If this continues, then prices could move noticeably. Our portfolio is oriented towards robust franchises that are resilient, have pricing power and have modest financial leverage. Our "value" bias should keep serving us well in a world of more normalised interest rates, as "growth" companies struggle to justify their high multiples and need to adjust their strategies to try to generate cash (or preserve their dwindling resources) – they can no longer rely on cheap debt and repeated equity raises.

As shown with the additions to the portfolio, we will continue – with suitable caution - to rotate our capital into cyclical recovery as the outlook starts improving.

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

Teviot Partners LLP
Investment Manager to the Fund
February 2024

PERFORMANCE RECORD

Financial Highlights

| Net Accumulation | Year ended 31 December 2023 | Year ended 31 December 2022 | Year ended 31 December 2021 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Changes in net assets per share | GBP | GBP | GBP |
| Opening net asset value per share | 173.0120 | 199.4404 | 154.4885 |
| Return before operating charges | 6.6468 | (24.8269) | 46.4207 |
| Operating charges (note 1) | (1.5450) | (1.6015) | (1.4688) |
| Return after operating charges * | 5.1018 | (26.4284) | 44.9519 |
| Closing net asset value per share | 178.1138 | 173.0120 | 199.4404 |
| Retained distributions on accumulated shares | 5.2445 | 4.7380 | 2.3514 |
| *after direct transactions costs of: | 0.3511 | 0.3538 | 0.5840 |
| Performance | | | |
| Return after charges | 2.95% | (13.25%) | 29.10% |
| Other information | | | |
| Closing net asset value | £55,736,422 | £42,511,489 | £42,981,132 |
| Closing number of shares | 31,292,589 | 24,571,405 | 21,550,869 |
| Operating charges (note 2) | 0.88% | 0.86% | 0.83% |
| Direct transaction costs | 0.20% | 0.19% | 0.33% |
| Prices | | | |
| Highest share price | 181.9237 | 201.4447 | 206.1110 |
| Lowest share price | 156.0450 | 156.6567 | 154.2892 |

| Net Income | Year ended 31 December 2023 | Year ended 31 December 2022 | Year ended 31 December 2021 |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Changes in net assets per share | GBP | GBP | GBP |
| Opening net asset value per share | 156.8719 | 185.8778 | 145.9027 |
| Return before operating charges | 5.8813 | (23.1389) | 43.5662 |
| Operating charges (note 1) | (1.3795) | (1.4738) | (1.3769) |
| Return after operating charges * | 4.5018 | (24.6127) | 42.1893 |
| Distribution on income shares | (4.7181) | (4.3932) | (2.2142) |
| Closing net asset value per share | 156.6556 | 156.8719 | 185.8778 |
| *after direct transactions costs of: | 0.3135 | 0.3256 | 0.5474 |
| Performance | | | |
| Return after charges | 2.87% | (13.24%) | 28.92% |
| Other information | | | |
| Closing net asset value | £35,733,706 | £33,336,568 | £44,932,481 |
| Closing number of shares | 22,810,366 | 21,250,823 | 24,173,130 |
| Operating charges (note 2) | 0.88% | 0.86% | 0.83% |
| Direct transaction costs | 0.20% | 0.19% | 0.33% |
| Prices | | | |
| Highest share price | 164.9506 | 187.7459 | 193.4210 |
| Lowest share price | 139.2140 | 143.8668 | 145.7145 |

PERFORMANCE RECORD (Continued)

Financial Highlights (Continued)

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

Risk Profile

Based on past data, the Sub-fund is ranked a '6' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document (31 December 2022: ranked 6). The Sub-fund is ranked 6 because monthly historical performance data indicates that significant rises and falls in market prices would have occurred historically.

PORTFOLIO SUMMARY

| As at 31 December 2023 | | | | |
|---|-----------|-------------------|----------------------|-------------------------|
| Investment | Holding | Market Value £ | Total Net Asset % | Index ¹ % |
| Total Equities (31.12.2022 : 96.39%) | | 87,417,787 | 96.27% | 100.00% |
| Oil & Gas Producers (31.12.2022 : 7.14%) | | 2,631,126 | 2.90% | 3.95% |
| Diversified Energy Company PLC | 33,000 | 367,950 | 0.41% | |
| Energean PLC | 105,800 | 1,087,624 | 1.20% | |
| Serica Energy PLC | 512,000 | 1,175,552 | 1.29% | |
| Chemicals (31.12.2022 : 1.58%) | | 958,390 | 1.06% | 2.01% |
| Zotefoams PLC | 285,235 | 958,390 | 1.06% | |
| Mining (31.12.2022 : 4.00%) | | 3,366,710 | 3.71% | 5.82% |
| Atalaya Mining PLC | 435,000 | 1,579,050 | 1.74% | |
| Central Asia Metals PLC | 370,000 | 672,660 | 0.74% | |
| Ecora Resources PLC | 1,115,000 | 1,115,000 | 1.23% | |
| Construction & Materials (31.12.2022 : 5.41%) | | 8,914,493 | 9.84% | 5.55% |
| Alumasc Group PLC | 460,000 | 805,000 | 0.89% | |
| Bodycote PLC | 166,744 | 994,628 | 1.10% | |
| Costain Group PLC | 1,377,315 | 878,727 | 0.97% | |
| Keller Group PLC | 225,000 | 1,975,500 | 2.18% | |
| Morgan Advanced Materials PLC | 476,000 | 1,342,320 | 1.48% | |
| Norcros PLC | 706,000 | 1,288,450 | 1.42% | |
| Tyman PLC | 415,000 | 1,303,100 | 1.44% | |
| Vistry Group PLC | 35,499 | 326,768 | 0.36% | |
| Aerospace & Defense (31.12.2022 : 3.15%) | | 2,156,545 | 2.38% | 2.09% |
| Avon Protection PLC | 9,608 | 80,227 | 0.09% | |
| Qinetiq Group PLC | 347,000 | 1,071,536 | 1.18% | |
| Chemring Group PLC | 286,671 | 1,004,782 | 1.11% | |
| General Industrials (31.12.2022 : 1.15%) | | 1,250,646 | 1.38% | 1.00% |
| Macfarlane Group PLC | 1,078,143 | 1,250,646 | 1.38% | |
| Electronic & Electrical Equipment (31.12.2022 : 0.76%) | | 1,480,658 | 1.63% | 2.61% |
| TT electronics PLC | 581,535 | 908,358 | 1.00% | |
| Gooch & Housego PLC | 97,000 | 572,300 | 0.63% | |
| Industrial Engineering (31.12.2022 : 3.64%) | | 3,537,996 | 3.89% | 1.29% |
| Severfield PLC | 1,705,224 | 1,081,112 | 1.19% | |
| Trifast PLC | 1,453,612 | 1,282,086 | 1.41% | |
| Videndum PLC | 339,047 | 1,174,798 | 1.29% | |
| Industrial Transportation (31.12.2022 : 1.27%) | | 2,147,538 | 2.36% | 1.82% |
| Braemar Shipping Services PLC | 95,000 | 257,450 | 0.28% | |
| Clarkson PLC | 29,192 | 918,088 | 1.01% | |
| Ocean Wilsons Holdings Ltd | 81,000 | 972,000 | 1.07% | |
| Food Producers (31.12.2022 : 5.25%) | | 3,045,373 | 3.36% | 2.26% |
| M P Evans Group PLC | 100,511 | 741,771 | 0.82% | |
| Premier Foods PLC | 1,136,064 | 1,540,503 | 1.70% | |
| Wynnstay Group PLC | 224,441 | 763,099 | 0.84% | |

PORTFOLIO SUMMARY (Continued)

| As at 31 December 2023 | | Market | Total Net | Index ¹ |
|---|-----------|-------------------|---------------|--------------------|
| Investment | Holding | Value £ | Asset % | % |
| Support Services (31.12.2022 : 15.08%) | | 10,473,210 | 11.54% | 8.00% |
| De La Rue PLC | 484,501 | 422,000 | 0.46% | |
| Hargreaves Services PLC | 247,000 | 997,880 | 1.10% | |
| Mears Group PLC | 728,000 | 2,249,520 | 2.48% | |
| Renewi PLC | 289,000 | 1,840,930 | 2.03% | |
| Ricardo PLC | 279,684 | 1,373,248 | 1.51% | |
| RWS Holdings PLC | 2,430 | 6,143 | 0.01% | |
| Science Group PLC | 182,738 | 705,369 | 0.78% | |
| Speedy Hire PLC | 2,535,910 | 834,314 | 0.92% | |
| SThree PLC | 440,000 | 1,837,000 | 2.02% | |
| Staffline Group PLC | 935,771 | 206,805 | 0.23% | |
| Household Goods & Home Construction (31.12.2022 : 3.66%) | | 3,503,508 | 3.86% | 2.01% |
| DFS Furniture PLC | 383,421 | 471,608 | 0.52% | |
| Headlam Group PLC | 523,000 | 1,113,990 | 1.23% | |
| Inspects Group PLC | 721,046 | 598,468 | 0.66% | |
| Ultimate Products PLC | 457,908 | 675,414 | 0.74% | |
| Wickes Group plc | 451,000 | 644,028 | 0.71% | |
| Pharmaceuticals & Biotechnology (31.12.2022 : 2.52%) | | 1,379,814 | 1.52% | 1.82% |
| ECO Animal Health Group PLC | 663,000 | 709,410 | 0.78% | |
| Indivior PLC | 45,800 | 544,104 | 0.60% | |
| Advanced Medical Solutions Group PLC | 60,000 | 126,300 | 0.14% | |
| General Retailers (31.12.2022 : 5.27%) | | 3,340,450 | 3.69% | 3.52% |
| Halfords Group PLC | 283,964 | 569,064 | 0.63% | |
| Kitwave Group PLC | 768,265 | 1,951,393 | 2.15% | |
| Studio Retail Group PLC ² | 605,378 | - | 0.00% | |
| Mothercare PLC. | 4,245,701 | 288,708 | 0.32% | |
| Xaar PLC | 482,987 | 531,286 | 0.59% | |
| Media (31.12.2022 : 5.04%) | | 5,202,808 | 5.74% | 4.10% |
| Ebiquity PLC | 1,022,605 | 327,234 | 0.36% | |
| Future PLC | 99,186 | 789,521 | 0.87% | |
| STV Group PLC | 360,946 | 694,821 | 0.77% | |
| Smooove PLC | 732,939 | 392,122 | 0.43% | |
| Ten Entertainment Group PLC | 217,000 | 887,530 | 0.98% | |
| Wilmington PLC | 639,873 | 2,111,581 | 2.33% | |
| Travel & Leisure (31.12.2022 : 2.51%) | | 3,623,717 | 4.00% | 7.82% |
| Jet2 PLC | 128,700 | 1,610,037 | 1.77% | |
| Playtech PLC | 206,000 | 922,880 | 1.02% | |
| Rank Group PLC | 890,000 | 667,500 | 0.74% | |
| XP Factory PLC | 2,490,000 | 423,300 | 0.47% | |
| Electricity (31.12.2022 : 3.01%) | | 1,773,000 | 1.95% | 0.54% |
| Drax Group PLC | 360,000 | 1,773,000 | 1.95% | |
| Software & Computer Services (31.12.2022 : 5.98%) | | 5,777,700 | 6.36% | 8.29% |
| Aptitude Software Group PLC | 366,167 | 1,028,929 | 1.13% | |
| Eckoh PLC | 1,429,464 | 543,196 | 0.60% | |
| IQGeo Group PLC | 395,722 | 1,210,909 | 1.33% | |
| Kooth PLC | 120,000 | 352,800 | 0.39% | |
| NCC Group PLC | 437,000 | 559,360 | 0.62% | |
| RM PLC | 748,000 | 466,752 | 0.51% | |
| Tracsis PLC | 114,602 | 1,054,338 | 1.16% | |
| Tribal Group PLC | 1,039,657 | 561,415 | 0.62% | |

VT TEVIOT FUNDS ICVC - VT TEVIOT UK SMALLER COMPANIES FUND

For the year ended 31 December 2023

PORTFOLIO SUMMARY (Continued)

| As at 31 December 2023 | | Market Value | Total Net Asset | Index ¹ |
|---|-----------|-------------------|-----------------|--------------------|
| Investment | Holding | £ | % | % |
| Technology Hardware & Equipment (31.12.2022 : 2.32%) | | 2,247,401 | 2.48% | 1.23% |
| Aferian PLC | 1,915,000 | 191,500 | 0.21% | |
| Fonix Mobile PLC | 543,229 | 1,368,937 | 1.51% | |
| Spirent Communications plc | 177,132 | 217,164 | 0.24% | |
| Vianet Group PLC | 580,000 | 469,800 | 0.52% | |
| Nonlife Insurance (31.12.2022 : 1.29%) | | 1,550,201 | 1.71% | 1.34% |
| Sabre Insurance Group PLC | 1,029,350 | 1,550,201 | 1.71% | |
| Real Estate Investment & Services (31.12.2022 : 3.02%) | | 3,177,089 | 3.50% | 2.15% |
| Belvoir Group PLC | 392,216 | 1,000,151 | 1.10% | |
| CLS Holdings PLC | 680,000 | 688,160 | 0.76% | |
| Harworth Group PLC | 700,000 | 854,000 | 0.94% | |
| LSL Property Services PLC | 258,040 | 634,778 | 0.70% | |
| Financial Services (31.12.2022 : 8.92%) | | 9,498,920 | 10.35% | 1.88% |
| Alpha Financial Markets Consulting PLC | 90,000 | 351,000 | 0.38% | |
| Begbies Traynor Group PLC | 787,000 | 920,790 | 1.00% | |
| Distribution Finance Capital Holdings PLC | 1,790,000 | 358,000 | 0.38% | |
| Duke Royalty Ltd | 1,400,000 | 462,000 | 0.50% | |
| Impax Asset Management Group PLC | 105,000 | 580,650 | 0.63% | |
| Integrafin Holding | 340,000 | 1,030,200 | 1.12% | |
| Mattioli Woods PLC | 148,000 | 902,800 | 0.98% | |
| OSB Group PLC | 186,000 | 852,624 | 0.93% | |
| Peel Hunt Limited | 370,000 | 418,100 | 0.45% | |
| Rathbones Group PLC | 79,800 | 1,390,116 | 1.52% | |
| TP ICAP PLC | 460,000 | 897,460 | 0.99% | |
| XPS Pensions Group PLC | 578,000 | 1,335,180 | 1.47% | |
| Beverages (31.12.2022 : 1.10%) | | - | 0.00% | 1.39% |
| | | | 0.00% | |
| Forestry and Paper (31.12.2022 : 0.07%) | | - | 0.00% | 0.12% |
| | | | 0.00% | |
| Banks (31.12.2022 : 0.89%) | | 1,005,849 | 1.11% | 2.99% |
| Secure Trust Bank PLC | 147,919 | 1,005,849 | 1.11% | |
| Automobiles & Parts (31.12.2022 : 1.15%) | | 2,398,095 | 2.64% | 1.22% |
| Redde Northgate PLC | 321,000 | 1,160,415 | 1.28% | |
| TI Fluid Systems PLC | 810,000 | 1,237,680 | 1.36% | |
| Fixed Line Telecommunications (31.12.2022 : 1.21%) | | 1,741,452 | 1.94% | 0.47% |
| Telecom Plus PLC | 77,458 | 1,250,172 | 1.39% | |
| Zegona Communications PLC | 267,000 | 491,280 | 0.55% | |
| Telecommunications (31.12.2022 : 0.00%) | | 1,235,096 | 1.37% | 0.99% |
| Gamma Communications PLC | 109,884 | 1,235,096 | 1.37% | |
| Total Equities (31.12.2022 : 96.39%) | | 87,417,787 | 96.27% | |
| Other net assets (31.12.2022 : 3.61%) | | 3,382,514 | 3.73% | |
| Total Net Assets | | 90,800,301 | 100.00% | |

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

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

SUMMARY OF MATERIAL PORTFOLIO CHANGES

| Purchases (Note 14) | £ | Sales (Note 14) | £ |
|-------------------------------------|-------------------|---|-------------------|
| Morgan Advanced Materials PLC | 1,297,562 | Lookers PLC | 1,823,130 |
| Gamma Communications PLC | 1,296,365 | Sureserve Group PLC | 1,362,500 |
| Redde Northgate PLC | 1,183,254 | RPS Group PLC | 1,263,180 |
| Bodycote PLC | 1,037,758 | Emis Group | 1,224,762 |
| Integrafin Holding | 995,815 | Devro PLC | 1,204,403 |
| Videndum PLC | 864,443 | RHI Magnesita NV | 946,096 |
| Rank Group PLC | 758,270 | C&C Group PLC | 678,715 |
| Clarkson PLC | 738,157 | Gulf Keystone Petroleum Ltd | 540,786 |
| Telecom Plus PLC | 623,927 | Mears Group PLC | 538,914 |
| Ten Entertainment Group PLC | 612,305 | Avon Protection PLC | 506,705 |
| Halfords Group PLC | 578,509 | Essentra PLC | 487,226 |
| Impax Asset Management Group PLC | 577,876 | Liontrust Asset Management PLC | 429,499 |
| Gooch & Housego PLC | 551,464 | Staffline Group PLC | 425,964 |
| Tyman PLC | 538,786 | Indivior PLC | 402,050 |
| Ecora Resources PLC | 464,762 | Premier Foods PLC | 401,782 |
| TI Fluid Systems PLC | 463,174 | Energean PLC | 287,243 |
| Keller Group PLC | 461,970 | Capricorn Energy PLC | 278,343 |
| Kitwave Group PLC | 457,059 | Qinetiq Group PLC | 271,796 |
| NCC Group PLC | 445,375 | Kitwave Group PLC | 266,883 |
| TT electronics PLC | 432,048 | Randall & Quilter Investment Holdings Ltd | 242,188 |
| Other Purchases | 16,900,800 | Other Sales | 2,220,890 |
| Total Purchases for the Year | 31,279,679 | Total Sales for the Year | 15,803,055 |

The above transactions represent the top 20 purchases and sales during the year.

STATEMENT OF TOTAL RETURN

For the year ended 31 December

| | | 2023 | 2022 |
|--|-------|-----------------|---------------------|
| | Notes | £ | £ |
| Income | | | |
| Net capital gains/(losses) | 2 | 87,354 | (13,534,303) |
| Revenue | 3 | 3,034,253 | 2,464,443 |
| Expenses | 4 | (707,460) | (640,707) |
| Interest payable and similar charges | 6 | - | (603) |
| Net revenue before taxation | | 2,326,793 | 1,823,133 |
| Taxation | 5 | (19,559) | - |
| Net revenue after taxation | | 2,307,234 | 1,823,133 |
| Total return before distributions | | 2,394,588 | (11,711,170) |
| Finance costs: distributions | 6 | (2,482,529) | (1,982,771) |
| Changes in net assets attributable to shareholders from investment activities | | (87,941) | (13,693,941) |

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 December

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | £ | £ |
| Opening net assets attributable to shareholders | 75,130,093 | 87,288,179 |
| Amounts receivable on creation of shares | 28,967,466 | 17,997,076 |
| Amounts payable on cancellation of shares | (15,186,805) | (17,848,505) |
| Dividends reinvested | 1,539,699 | 1,033,212 |
| Dilution levies | 437,789 | 354,072 |
| Changes in net assets attributable to shareholders from investment activities (see above) | (87,941) | (13,693,941) |
| Closing net assets attributable to shareholders | 90,800,301 | 75,130,093 |

BALANCE SHEET

As at

| | | 31.12.2023 | | 31.12.2022 | |
|--|-------|------------|------------|------------|------------|
| | Notes | £ | £ | £ | £ |
| ASSETS | | | | | |
| Investment assets | | | 87,417,787 | | 72,429,011 |
| Current Assets | | | | | |
| Debtors | 7 | 437,034 | | 121,424 | |
| Cash and bank balances | 8 | 3,588,921 | | 3,163,016 | |
| Total current assets | | | 4,025,955 | | 3,284,440 |
| Total assets | | | 91,443,742 | | 75,713,451 |
| CURRENT LIABILITIES | | | | | |
| Creditors | | | | | |
| Distribution payable on income shares | | (510,713) | | (428,195) | |
| Other creditors | 9 | (132,728) | | (155,163) | |
| Total current liabilities | | | (643,441) | | (583,358) |
| Net assets attributable to shareholders | | | 90,800,301 | | 75,130,093 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 Accounting policies

The principal accounting policies, which have been applied in both the current and prior year, are set out on page 7.

2 Net capital gains/(losses)

| | 2023 | 2022 |
|--|---------|--------------|
| | £ | £ |
| The net capital gains/(losses) comprise: | | |
| Non-derivative securities gains/(losses) | 94,720 | (13,528,378) |
| Transaction charges | (7,283) | (5,892) |
| Currency exchange (losses) | (83) | (33) |
| Total net capital gains/(losses) | 87,354 | (13,534,303) |

3 Revenue

| | 2023 | 2022 |
|-------------------------------------|-----------|-----------|
| | £ | £ |
| Non taxable dividends | 2,910,188 | 2,455,991 |
| Property income distributions (PID) | 13,974 | - |
| Bank interest | 110,091 | 8,452 |
| Total revenue | 3,034,253 | 2,464,443 |

4 Expenses

| | 2023 | 2022 |
|---|---------|---------|
| | £ | £ |
| Payable to the Authorised Fund Manager, associates of the Authorised Fund Manager, and agents of either of them: | | |
| Annual management charge | 640,037 | 593,363 |
| Payable to the depositary, associates of the depositary, and agents of either of them: | | |
| Depositary fee | 28,758 | 26,068 |
| Safe custody fee | 3,277 | 2,963 |
| | 32,035 | 29,031 |
| Other expenses: | | |
| Audit fee | 11,081 | 9,121 |
| FCA fee | 28 | 48 |
| Other expenses | 24,279 | 9,144 |
| | 35,388 | 18,313 |
| Total expenses | 707,460 | 640,707 |

5 Taxation

2023
£

2022
£

(a) Analysis of charge in the year

| | | |
|---|--------|---|
| Overseas withholding tax | 19,559 | - |
| Total tax charge for the year (note 5b) | 19,559 | - |

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2022: 20.00%). The differences are explained below:

| | | |
|---|-----------|-----------|
| Net revenue before taxation | 2,326,793 | 1,823,133 |
| Corporation tax at 20.00% (2022: 20.00%) | 465,359 | 364,627 |
| Effects of: | | |
| Revenue not subject to UK corporation tax | (582,038) | (491,199) |
| Current year expenses not utilised | 116,679 | 126,572 |
| Overseas withholding tax | 19,559 | - |
| Total tax charge for the year (note 5a) | 19,559 | - |

(c) Provision for deferred taxation

At 31 December 2023 there is a potential deferred tax asset of £728,890 (31 December 2022: £612,211) in relation to surplus management expenses.

6 Finance costs

2023
£

2022
£

| | | |
|-------------------------------|-----------|-----------|
| Interim dividend distribution | 1,264,782 | 1,061,852 |
| Final dividend distribution | 1,296,037 | 967,314 |
| | 2,560,819 | 2,029,166 |

| | | |
|---|-----------|-----------|
| Add: Revenue deducted on cancellation of shares | 137,224 | 109,370 |
| Deduct: Revenue received on issue of shares | (215,514) | (155,765) |

| | | |
|--------------------------------------|------------------|------------------|
| | 2,482,529 | 1,982,771 |
| Interest payable and similar charges | - | 603 |
| Total finance costs | 2,482,529 | 1,983,374 |

Reconciliation of distributions

| | | |
|---|------------------|------------------|
| Net revenue after taxation | 2,307,234 | 1,823,133 |
| Expenses paid from capital | 176,865 | 160,178 |
| Relief on expenses allocated to capital | 1,570 | (1,570) |
| Balance brought forward | (1,570) | (540) |
| Balance carried forward | (1,570) | 1,570 |
| Net distribution for the year | 2,482,529 | 1,982,771 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 7 Debtors | 31.12.2023 | 31.12.2022 |
|--|-------------------|-------------------|
| | £ | £ |
| Amounts receivable on unsettled trades | 1,822 | - |
| Amounts receivable on creation of shares | 240,692 | 10,130 |
| Accrued revenue: | | |
| Non taxable dividends | 189,655 | 100,851 |
| Property income distributions (PID) | - | 3,923 |
| Withholding tax reclaimable | 4,826 | 4,471 |
| Prepaid expenses | 39 | 2,049 |
| Total debtors | 437,034 | 121,424 |

| 8 Cash and bank balances | 31.12.2023 | 31.12.2022 |
|---------------------------------|-------------------|-------------------|
| | £ | £ |
| Cash and bank balances | 3,588,921 | 3,163,016 |

| 9 Creditors | 31.12.2023 | 31.12.2022 |
|--|-------------------|-------------------|
| | £ | £ |
| Amounts payable on unsettled trades | 20,985 | 8,278 |
| Amounts payable on cancellation of shares | 32,309 | 78,421 |
| Amounts payable to the AFM, associates of the AFM and agents of either of them: | | |
| Annual management charge | 55,650 | 47,730 |
| Amounts payable to the depositary, associates of the depositary and agents of either of them; | | |
| Depositary's fees | 2,455 | 1,982 |
| Safe custody and other custodian charges | 8,347 | 9,330 |
| | 10,802 | 11,312 |
| Audit fee | 10,144 | 8,676 |
| Other accrued expenses | 2,838 | 746 |
| Total creditors | 132,728 | 155,163 |

10 Risk management

In pursuing its investment objective as stated on page 8, the Sub-fund holds a number of financial instruments. The Sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

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

Market price risk

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

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

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

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31 December 2023 would have increased/decreased by £8,741,779 (31 December 2022: £7,242,901).

Foreign currency risk

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

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

Net currency assets and liabilities consist of:

| | Net monetary assets and liabilities | | Non-monetary assets | | Total net assets | |
|-----------|-------------------------------------|------------|---------------------|------------|------------------|------------|
| | £ | | £ | | £ | |
| | 31.12.2023 | 31.12.2022 | 31.12.2023 | 31.12.2022 | 31.12.2023 | 31.12.2022 |
| Sterling | 3,333,528 | 2,664,692 | 87,417,787 | 72,429,011 | 90,751,315 | 75,093,703 |
| Euro | 4,826 | 4,471 | - | - | 4,826 | 4,471 |
| US Dollar | 44,160 | 31,919 | - | - | 44,160 | 31,919 |
| Total | 3,382,514 | 2,701,082 | 87,417,787 | 72,429,011 | 90,800,301 | 75,130,093 |

If foreign exchange rates at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31 December 2023 would have increased/decreased by £4,899 (31 December 2022: £3,639).

Interest rate risk

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

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

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

| | 31.12.2023 | 31.12.2022 |
|--|-------------------|-------------------|
| | £ | £ |
| Financial assets floating rate | 3,588,921 | 3,163,016 |
| Financial assets interest bearing instruments | - | - |
| Financial assets non-interest bearing instruments | 87,854,821 | 72,550,435 |
| Financial liabilities non-interest bearing instruments | (643,441) | (583,358) |
| Financial liabilities floating rate | - | - |
| | 90,800,301 | 75,130,093 |

At 31 December 2023, if interest rates increased or decreased by 0.25%, with all other variables remaining constant, then the net assets attributable to shareholders of the Sub-fund would increase or decrease by approximately £8,972 (31 December 2022: £7,908).

10 Risk management (Continued)**Maturity of financial liabilities**

The financial liabilities of the Sub-fund as at 31 December 2023 are payable either within one year or on demand.

Liquidity risk

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

Credit risk

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

Fair value disclosure

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

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

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

Level 3: Valuation techniques using unobservable inputs.

| Valuation Technique | 31.12.2023 | | 31.12.2022 | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | Assets (£000's) | Liabilities (£000's) | Assets (£000's) | Liabilities (£000's) |
| Level 1: Unadjusted quoted price in an active market for an identical instrument | 87,418 | - | 72,429 | - |
| Total | 87,418 | - | 72,429 | - |

11 Shares held**Net Accumulation**

| | |
|--|-------------------|
| Opening Shares at 01.01.2023 | 24,571,405 |
| Shares issued during the year | 12,603,059 |
| Shares cancelled during the year | (5,884,771) |
| Shares converted during the year | 2,896 |
| Closing Shares as at 31.12.2023 | 31,292,589 |

Net Income

| | |
|--|-------------------|
| Opening Shares at 01.01.2023 | 21,250,823 |
| Shares issued during the year | 5,035,633 |
| Shares cancelled during the year | (3,472,896) |
| Shares converted during the year | (3,194) |
| Closing Shares as at 31.12.2023 | 22,810,366 |

12 Contingent assets and liabilities

At 31 December 2023, the Company had no contingent liabilities or commitments (31 December 2022: £nil).

13 Post balance sheet events

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 29 December 2023. Since that date, the Sub-fund's quoted price has moved as follows:

| Share class | Price (GBp) at 29 December 2023 | Price (GBp) at 09 April 2024 |
|------------------|---------------------------------|------------------------------|
| Net Accumulation | 178.1138 | 186.0294 |
| Net Income | 156.6556 | 163.6175 |

14 Direct transaction costs

| | 2023 | | 2022 | |
|--|-------------------|---------|-------------------|---------|
| | £ | % | £ | % |
| Analysis of total purchase costs | | | | |
| Purchases in the year before transaction costs | 31,131,109 | | 22,910,876 | |
| Commissions | 45,574 | 0.15% | 32,663 | 0.14% |
| Taxes & levies | 102,996 | 0.33% | 72,198 | 0.31% |
| Total purchase costs | 148,570 | 0.48% | 104,861 | 0.45% |
| | <u>31,279,679</u> | | <u>23,015,737</u> | |
| Total purchases including transaction costs | | | | |
| Analysis of total sale costs | | | | |
| Sales in the year before transaction costs | 15,815,719 | | 22,832,554 | |
| Commissions | (12,561) | (0.08%) | (33,138) | (0.15%) |
| Taxes & levies | (103) | (0.00%) | (267) | (0.00%) |
| Total sale costs | (12,664) | (0.08%) | (33,405) | (0.15%) |
| | <u>15,803,055</u> | | <u>22,799,149</u> | |
| Total sales net of transaction costs | | | | |

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

| | 2023 | % of average | 2022 | % of average |
|----------------|----------------|-----------------|----------------|-----------------|
| | £ | net asset value | £ | net asset value |
| Commissions | 58,135 | 0.07% | 65,801 | 0.09% |
| Taxes & Levies | 103,099 | 0.13% | 72,465 | 0.10% |
| | <u>161,234</u> | <u>0.20%</u> | <u>138,266</u> | <u>0.19%</u> |

15 Portfolio Dealing Spread

The average portfolio dealing spread at 31 December 2023 is 1.54% (31 December 2022: 1.96%).

16 Related Party transactions

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

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

DISTRIBUTION TABLES

For the year ended 31 December 2023

Interim distribution in pence per share

Group 1: Shares purchased prior to 01 January 2023

Group 2: Shares purchased on or after 01 January 2023 and on or before 30 June 2023

| Net Income | Net revenue 31 August 2023 | Equalisation | Distribution 31 August 2023 | Distribution 31 August 2022 |
|------------|-------------------------------|--------------|--------------------------------|--------------------------------|
| Group 1 | 2.4791p | - | 2.4791p | 2.3782p |
| Group 2 | 1.6259p | 0.8532p | 2.4791p | 2.3782p |

| Net Accumulation | Net revenue 31 August 2023 | Equalisation | Distribution 31 August 2023 | Distribution 31 August 2022 |
|------------------|-------------------------------|--------------|--------------------------------|--------------------------------|
| Group 1 | 2.7349p | - | 2.7349p | 2.5439p |
| Group 2 | 1.3595p | 1.3754p | 2.7349p | 2.5439p |

Final Distribution in Pence per Share

Group 1: Shares purchased prior to 01 July 2023

Group 2: Shares purchased on or after 01 July 2023 and on or before 31 December 2023

| Net Income | Net revenue 29 February 2024 | Equalisation | Distribution 29 February 2024 | Distribution 28 February 2023 |
|------------|---------------------------------|--------------|----------------------------------|----------------------------------|
| Group 1 | 2.2390p | - | 2.2390p | 2.0150p |
| Group 2 | 1.3441p | 0.8949p | 2.2390p | 2.0150p |

| Net Accumulation | Net revenue 29 February 2024 | Equalisation | Distribution 29 February 2024 | Distribution 28 February 2023 |
|------------------|---------------------------------|--------------|----------------------------------|----------------------------------|
| Group 1 | 2.5096p | - | 2.5096p | 2.1941p |
| Group 2 | 1.1679p | 1.3417p | 2.5096p | 2.1941p |

Information for corporate shareholders

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

- i) 95.91% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 4.09% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

INFORMATION FOR INVESTORS

Individual shareholders

Income tax: Tax-free annual dividend allowance now standing at £1,000 (2023/24). UK resident shareholders are subject to new, higher rates of tax on dividend income in excess of the annual allowance. The actual rate depends on the individual's tax rate band.

Capital gains tax: Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, the first £6,000 (2023/24) of gains each year are presently tax free for individuals. Gains in excess of that amount are charged at the rate of tax applicable to the individual tax payer.

Taxation

The Company will pay no corporation tax on its profits for the year ended 31 December 2023 and capital gains within the Company will not be taxed.

Corporate shareholders

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

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

Issue and redemption of shares

Valu-Trac Investment Management Limited is the AFM and Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours (8.30am and 5.30pm). Instructions may be given by email to (teviot@valu-trac.com) or by sending an application form to the Registrar. Application forms are available from the Registrar.

The price of shares will be determined by reference to a valuation of the Company's net assets at 12:00 noon on each dealing day.

The AFM has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the AFM will return any money sent, or the balance of such monies, at the risk of the applicant. In addition the AFM may reject any application previously accepted in circumstances where the applicant has paid by cheque and that cheque subsequently fails to be cleared.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the business day following the valuation point by reference to which the purchase price is determined. Settlement is due four business days after the trade date shown on the contract note and should be made to the AFM's dealing account.

Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Certificates will not be issued. Statements in respect of periodic distributions of revenue will show the number of shares held by the recipient in respect of which the distribution is made. Individual statements of a shareholder's shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the next valuation point after receipt by the AFM of a request for redemption. The AFM may at its discretion accept subscriptions lower than the minimum amount.

The most recent issue and redemption prices are available from the AFM.

Assessment of Value

The AFM conducts an assessment of value for the Sub-fund each year. The assessment of value reports are available on the AFM's website.

INFORMATION FOR INVESTORS (Continued)

Remuneration

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

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

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

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

| 28.05.2023 | Number of Beneficiaries | Fixed Remuneration | Variable Remuneration Paid | Total Remuneration Paid |
|---|-------------------------|--------------------|----------------------------|-------------------------|
| Total remuneration paid by the AFM during the year | 86 | £3,462,948 | £ nil | £3,462,948 |
| Remuneration paid to employees of the AFM who have a material impact on the risk profile of the UK UCITS | 18 | £1,043,732 | £ nil | £1,043,732 |
| Senior Management | 14 | £779,584 | £ nil | £779,584 |
| Control Functions | 4 | £264,148 | £ nil | £264,148 |
| Employees receiving total remuneration that takes them into the same remuneration brackets as senior management and risk takers | 0 | £ - | £ nil | £ - |

Further information is available in the AFM's Remuneration Policy document which can be obtained from www.valu-trac.com. A paper copy of the remuneration policy is available on request from the registered office of the Authorised Fund Manager free of charge.

| | |
|--|---|
| Authorised Fund Manager & Registrar | <p>Valu-Trac Investment Management Limited Mains of Orton Fochabers Moray IV32 7QE</p> <p>Telephone: 01343 880344 Fax: 01343 880267 Email: teviot@valu-trac.com</p> <p>Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648</p> |
| Director | Valu-Trac Investment Management Limited as AFM |
| Investment Manager | <p>Teviot Partners LLP 101 George Street Edinburgh Scotland EH2 3ES</p> <p>Authorised and regulated by the Financial Conduct Authority</p> |
| Depository | <p>NatWest Trustee and Depositary Services Limited House A Floor 0, 175 Glasgow Road Gogarburn Edinburgh EH12 1HQ</p> <p>Authorised and regulated by the Financial Conduct Authority</p> |
| Auditor | <p>Johnston Carmichael LLP Commerce House South Street Elgin IV30 1JE</p> |