



TB ENIGMA FUNDS

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

For the year ended 31 May 2022

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Note: The Authorised Corporate Director’s Report consists of ‘Authorised Status’, ‘Structure of the Company’ and ‘Investment Objective and Policy’ on page 3, ‘Investment Review’ as provided by the Investment Manager on pages 12 to 14, and ‘Directory’ on page 34.

THE AUTHORISED CORPORATE DIRECTOR AND INVESTMENT MANAGER

The Authorised Corporate Director (the 'ACD') of TB Enigma Funds (the 'Company') is T. Bailey Fund Services Limited ('TBFS'). Ekins Guinness LLP is the Investment Manager (the 'Investment Manager') of the Company.

Ekins Guinness LLP and T. Bailey Fund Services Limited are authorised and regulated by the Financial Conduct Authority. Further information about Ekins Guinness LLP can be found at www.ekinsguinness.com.

YOUR INVESTMENTS

You can buy or sell shares in the Company through your Financial Advisor. Alternatively, you can telephone the dealing line, 0115 988 8286, during normal office hours. Application forms can be requested in writing from the ACD or by calling the Client Services Team on the dealing line. They can also be downloaded from www.tbaileyfs.co.uk/funds/tb-enigma-funds.

The Company is eligible for ISA investments/transfers and the shares are available as part of a regular savers scheme.

The most recent price of shares in issue are can be found at www.tbaileyfs.co.uk, or by phone using the contact details set out in the prospectus.

RISK PROFILE

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

The Fund invests in global markets, with some regions being regarded as more risky. The movements of exchange rates may lead to further changes in the value of investments and the income from them.

The investment strategy followed by the Investment Manager involves potentially investing in a range of different asset classes and adjusting the asset allocation according to analysis of valuation analytics and technical measurements including price momentum, price trends and overbought / oversold indicators, all using historical market data. The asset allocation is therefore likely to change dynamically and significantly over time depending on market conditions and could for example vary from 100% equity to 100% bonds and other fixed interest over time.

Whilst the intention for using derivatives is to generate positive returns or to reduce risk, this outcome is not guaranteed and derivatives involve additional risk which could lead to significant losses.

There is a risk that any company providing services such as safekeeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

OTHER INFORMATION

Full details of TB Enigma Funds are set out in the Prospectus, which provides investors with extensive information about the Fund including risks and expenses. A copy of the Prospectus is available on request from the ACD, or can be downloaded from www.tbaileyfs.co.uk/funds/tb-enigma-funds.

The Key Investor Information document, Supplementary Information document and Value Assessment are also available from www.tbaileyfs.co.uk/funds/tb-enigma-funds.

SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of one to seven. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category four because it invests in a variety of asset classes.

ONGOING CHARGES FIGURE

The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the Annual Management Charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA and audit fees. As the Fund invests in other funds, the weighted average costs of the underlying funds have also been taken into account. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 17 and 18.

FUND BENCHMARKS

Shareholders may wish to compare the performance of the Fund against the UK Consumer Prices Index ("CPI"). The CPI is a measure of UK inflation, and so is considered an appropriate measure of what constitutes a return in real terms.

The UK Consumer Price Index is a Comparator Benchmark of the Fund.

Shareholders may also wish to compare the Fund's performance against other funds within the Investment Association's Flexible Sector as that will give investors an indication of how the Fund is performing compared with others investing in a similar but not identical investment universe. As the sector aligns with the Fund's asset allocation, it is considered that this is an appropriate comparator.

The Investment Association's Flexible Sector is a Comparator Benchmark of the Fund.

AUTHORISED STATUS

TB Enigma Funds is an investment company with variable capital incorporated in Great Britain, and having its head office in England, under registered number IC001087 and authorised and regulated by the Financial Conduct Authority ("FCA") with effect from 2 June 2017.

STRUCTURE OF THE COMPANY

The Company is a UK UCITS.

The Company is structured as an umbrella so that the Scheme Property of the Company may be divided among one or more sub-funds. The assets of each sub-fund will generally 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. New sub-funds may be established from time to time by the ACD with the approval of the FCA and the agreement of the Depositary. If a new sub-fund is introduced, a new Prospectus will be prepared to set out the required information in relation to that sub-fund.

The Company is compliant with the Protected Cell Regime for OEICs. Under the Protected Cell Regime, each sub-fund represents a segregated portfolio of assets and accordingly, the assets of a sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including any other sub-fund and shall not be available for any such purpose.

As at the balance sheet date, there was one sub-fund in existence; TB Enigma Dynamic Growth Fund (the 'Fund').

The base currency of the Company is Pound 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 prices on purchase of the shares.

The ACD is the sole director of the Company.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Fund is to achieve long-term growth through a combination of capital and income.

The Investment Manager uses a global quantitative investment methodology to invest dynamically across a range of asset classes including equities, bonds (which may include fixed and floating interest rate sovereign and corporate bonds), commodities, cash and near cash.

The portfolio will typically be diversified across geographies, sectors and investment styles and will generally gain exposure indirectly via eligible collective investment schemes including Exchange Traded Funds (ETFs), other collective vehicles (for example, investment companies) and Exchange Traded Commodities (ETCs). The Fund may also invest directly in eligible assets (for example equities or bonds), money market instruments, cash, near cash and deposits.

The management of the portfolio will be active and the investment strategy is flexible and dynamic in order to adapt to changing market conditions, which enables the Investment Manager to select those asset classes and assets that are deemed to be attractive according to its global quantitative investment methodology. At any particular time the portfolio may have between 0 and 100% exposure to any asset class.

The Investment Manager may adopt an active currency overlay using derivatives including currency forwards with the intention of reducing currency risk and/or enhancing returns. The Investment Manager may also use derivatives for the purpose of meeting its investment objectives and for Efficient Portfolio Management (including hedging).

REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR

Introduction and Scope

TBFS has policies and practices for those staff whose professional activities have a material impact on the risk profile of the combined activities. TBFS is a UCITS firm and is therefore subject to the UCITS Remuneration Code.

The Remuneration Policy of the Authorised Corporate Director:

- Is consistent with and promotes sound and effective risk management;
- Does not encourage risk taking that exceeds the level of tolerated risk of the firm;
- Encourages behaviour that delivers results which are aligned to the interests of TBFS's clients and the UCITS funds it manages;
- Aligns the interests of Code Staff with the long-term interests of TBFS's clients and the UCITS funds it manages;
- Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay; and
- Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works.

In accordance with BIPRU 11.5.18R the following disclosures are made:

Decision making process for determining remuneration policy, link between pay and performance

There is no remuneration committee. Remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus and commission arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the CEO of TBFS and the Board of T. Bailey Holdings Limited ('TBH').

The main shareholders are represented on the Board of TBH which ratifies the annual operating plans. The annual operating plan includes the level of remuneration for all staff including Code Staff.

To assist with the above process, a benchmarking exercise was conducted in 2019 which incorporated information from external consultants in connection with remuneration.

Policy on link between pay and performance

The staff bonus scheme is operated so as to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition but within the context of an annual operating plan. The Board bears in mind the projected performance of the company when making any adjustments to the scheme. This is agreed within the setting of the annual operating plan and reviewed once full year results are available.

The final bonus total is signed off by the TBFS board. The bonus payments are non-contractual and can be amended or withdrawn at any time.

Payment of scheme bonus to individuals is linked to their performance against agreed objectives from staff appraisals. All bonuses are monetary and paid through the payroll.

REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR (CONTINUED)

Staff are eligible to be a part of the scheme once they have completed a full years' service prior to the start of the relevant appraisal year. The same process applies to all grades of staff including executive directors.

There are no commission-based payments made to staff.

No other pay reward schemes exist within the business.

Total remuneration paid by the ACD for the year ended 30 September 2021

Total Number of Staff	51
	£'000
Fixed	1,797
Variable	<u>111</u>
Total Remuneration Paid	<u>1,908</u>

Total remuneration paid by the ACD to Remuneration Code Staff for the year ended 30 September 2021

	Senior Management	Staff with Material Impact
Total Number of Staff	10	-
	£'000	£'000
Fixed	800	-
Variable	<u>9</u>	<u>-</u>
Total Remuneration Paid	<u>809</u>	<u>-</u>

Please note that there were no remuneration payments made directly from TB Enigma Funds or its sub-fund.

STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Authorised Corporate Director (the "ACD") of the TB Enigma Funds (the "Company") is responsible for preparing the Annual Report and the Financial Statements in accordance with the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"), the Financial Conduct Authority's Collective Investment Schemes' Sourcebook ("COLL") and the Company's Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each annual accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association ("IA SORP") in May 2014; and amended in June 2017; and
- give a true and fair view of the financial position of the Company as at the end of that year and the net revenue and expense and the net capital gains or losses on the property of the Company for that year.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACD is also responsible for the system of internal controls, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' STATEMENT

In accordance with COLL 4.5.8BR, the Annual Report and the Audited Financial Statements were approved by the board of directors of the ACD of the Company and authorised for issue on 18 August 2022.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and sub-fund consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence for at least the next twelve months from the approval of these financial statements.

Gavin Padbury
Chief Operations Officer
T. Bailey Fund Services Limited
Nottingham, United Kingdom
18 August 2022

Rachel Elliott
Chief Financial Officer
T. Bailey Fund Services Limited
Nottingham, United Kingdom
18 August 2022

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) (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 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 Authorised Corporate Director ('the ACD') 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.

DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF TB ENIGMA FUNDS

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 COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and the Prospectus of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee & Depositary Services Limited
London, United Kingdom
18 August 2022

Report on the audit of the financial statements**Opinion**

In our opinion the financial statements of TB Enigma Funds (the 'Company'):

- give a true and fair view of the financial position of the company as at 31 May 2022 and of the net revenue and expense and the net capital gains and losses on the property of the company for the year ended 31 May 2022; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

We have audited the financial statements which comprise for each sub-fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the related individual notes 1 to 15; 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), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook 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's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the authorised corporate director's (ACD'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 ACD with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB ENIGMA FUNDS
(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 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.

Responsibilities of depositary and ACD

As explained more fully in the statement of depositary's responsibilities and the statement of the ACD's responsibilities, the depositary is responsible for safeguarding the assets of the company and 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 have 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.

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:

Our assessment focussed on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included, but were not limited to, compliance with the Collective Investment Schemes sourcebook of the Financial Conduct Authority ("COLL"), the relevant instruments of incorporation, the statement of Recommended Practice: "Financial Statements of Authorised Funds" issued by the Investment Management Association in May 2014 ("the SORP") and United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB ENIGMA FUNDS
(CONTINUED)**

We are not responsible for preventing irregularities. Our approach to detect irregularity included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the company to assess compliance with provisions of relevant laws and regulations. This included ensuring compliance with the Collective Investment Schemes Sourcebook.
- obtaining an understanding of the company's policies and procedures and how the company has complied with these, through discussions and sample testing of controls.
- obtaining an understanding of the company's risk assessment process, including the risk of fraud, designing our audit procedures to respond to our risk assessment. This included performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- enquiring of management concerning actual and potential litigation and claims and understanding whether there have been instances of non-compliance with laws and regulations; and
- reviewing minutes of those charged with governance and reviewing correspondence with the FCA.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the Company have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 31 May 2022 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB ENIGMA FUNDS
(CONTINUED)**

Use of our report

This report is made solely to the company's shareholders, as a body, in accordance with Paragraph 4.5.12R 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Cooper Parry Group Limited
Chartered Accountants
Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
18 August 2022**

INVESTMENT REVIEW

Performance

	Cumulative returns for the periods ended 31 May 2022 (%)		
	1 year	3 years	From launch ¹
B Accumulation Shares	4.76	28.63	34.96
IA Flexible Investment Sector*	(1.14)	19.78	25.27
UK Consumer Price Index*	8.30	11.21	16.17

* *Comparator Benchmarks*

¹ *From 12 July 2017.*

Source: Financial Express. Total Return, Bid to Bid. Performance based on actual published net asset values. Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the income derived from them is not guaranteed and may go down as well as up.

Overview

In the year under review, from 31 May 2021 to 31 May 2022, there has been a remarkable change in fortune for World markets. In the first half, World Equity markets continued to perform well as part of the extension of the major post-Covid rally which started after the Equity market collapse in March 2020. Equity markets peaked in November 2021 and then started to fall. World Bond markets have been consistently weak, which is partly a function of the fact that nominal yields reached extremely low levels in March 2020 due to the Covid lockdowns.

There have been two principal reasons for the weakness in World Equity markets following their peak in November 2021. First, the surge in Equity market prices in the second half of 2020 and in 2021 resulted in Equity market valuations becoming extremely expensive. For example, the Intrinsic Value Yield for World Equities had fallen to only 3% - it has only ever been lower in 2000 during the Tech bubble. This excessive valuation resulted in a reduction in the Equity allocation within the Fund last Autumn.

Secondly, the turn down in Equity markets from their November 2021 peak resulted in falling momentum and falling price trends. This is a very different situation from the rising price trends that were in place from the post-March 2020 recovery. Price trends can be a good leading indicator of future movements, so these falling price trends, in conjunction with still expensive valuations, were used as an additional reason for reducing the Equity allocation further.

It is not often that Equities and Bonds are in a bear market simultaneously. Very often, bad news for Bonds is good news for Equities, and vice versa. The cause of the bear market in both Equities and Bonds is the high levels of inflation globally. There are various reasons for this, including supply side bottlenecks that have arisen from the post-Covid lockdown and the oil price surge due to the Ukraine crisis. However, the chief culprit is the excessive growth in the monetary base, especially in the USA but also in the UK and Europe, that was created deliberately by central banks to stimulate the post-Covid economic recovery. Monetarist economists have been predicting since the summer of 2020 that this huge growth in the monetary base would inexorably, albeit with a delay, lead to a surge in inflation, which is exactly what has happened. Rather astonishingly, many central banks were in denial about the impact on inflation that their actions would have, so were very slow in trying to tame inflation by raising interest rates. Central banks seemed to believe that inflation would only be transitory and would fall back down on its own accord, which simply added fuel to the fire of inflation.

INVESTMENT REVIEW (CONTINUED)

The high levels of inflation have been incompatible with such low bond yields and such low Equity yields (whether dividend or cash earnings yields, which are the core of our Intrinsic Value Yield).

Since last Autumn, the Fund has therefore had very little in Bond markets and low allocations to Equity markets. This has helped reduce the negative returns for the Fund that would otherwise have been the case if the Fund had been fully invested in Equity markets. Furthermore, within the Equity allocations, the main allocations have been Energy (which has benefitted from the high Oil price) and defensive sectors such as Healthcare, Consumer Staples and Financials. Cash and equivalents levels have also been high – whilst they are not long-term investments, there is nothing wrong with cash on a short term basis, even in a high inflation environment, when Equities and Bonds are falling in absolute terms.

The asset allocation as at the financial year end was as follows:

Sector	Asset allocation as at 31 May 2022 (%)	Asset allocation as at 31 May 2021 (%)
Exchange Traded Funds – Equities	26.0	97.9
Exchange Traded Funds – Bonds	13.8	-
Exchange Traded Funds – Commodities	12.3	-
Exchange Traded Commodities – Gold	4.9	-
Cash & equivalents	43.0	2.1
Total	100.0	100.0

The full list of holdings as at the year end is shown in the Portfolio Statement on page 15.

Outlook

The key question for global investors is whether now is a good time to reinvest into either Equities and/or Bonds. Inflation is probably in the process of peaking – this will become more evident later this year and in 2023. Although short term interest rates will still be raised by central banks, interest rate expectations further out have already started to fall. The next major uncertainty is whether the environment in which inflation falls back will cause a recession. Monetarist economists, who correctly predicted in 2020 that the huge expansion in the monetary base, especially in the US but also in the UK and Europe, think that a recession is inevitable because inflation cannot fall meaningfully without stabilisation in the monetary base which goes hand in hand with a period of weak output.

This background could be favourable for Bond markets before it is for Equity markets. In late June (after the Balance Sheet date) the Fund made a meaningful move back into Bond markets (19.5% in US Treasuries) and in early July invested 10% in Gilts. The reason is that Bonds became oversold (US Treasury yields had spiked up from 2.76% to 3.48%) and then rallied. There were grounds for believing that the bounce back might be worth taking advantage of. It is too early to tell if this rally will develop into a new bull market for Bonds – there are still risks because medium/long term price trends are still downwards and Bonds, although yields have risen significantly, are not yet cheap. Although the possibility of recession is potentially good for Bonds, a 10 year nominal yield in US Treasuries of 3.0% is not hugely attractive when inflation is nearly 10%.

Our model still has very low allocations to Equity markets. After significant weakness in June, Equities rallied slightly. This was the fourth rally this year, but none of them have come to much. Equity markets did not recently give the same oversold signals as Bonds, so it seems premature to re-invest. Medium and long term trends are falling, Value Yield has rebuilt from excessively low levels but is still not hugely attractive, and the possibility of recession is a real worry as it will put pressure on earnings.

INVESTMENT REVIEW (CONTINUED)

Within the modest Equity allocations, the emphasis remains on Financials, Materials, Consumer Staples and Healthcare.

Commodities have been very weak, and some are oversold. This is probably another sign that inflation has peaked (there is a bit of cause and effect). The entire Commodity allocation was sold in early July because the medium and long terms upwards trends have been disrupted, although the 5% allocation to Gold remains.

The Fund is not managed against any benchmark and the Investment Association Flexible Sector returns are shown purely for comparison purposes only.

PORTFOLIO HOLDINGS		ANALYSIS OF EQUITY EXPOSURE (pro-rated to 100% on a look-through basis across the ETFs)				NET CURRENCY EXPOSURE (on a look-through basis)			
EQUITIES	26.0%	BY SECTOR	Equity Allocation	Mkt Cap Wgt	Relative	Underlying	Overlay	Net	
Global Sector ETFs	23.9%				-20%				
SPDR MSCI World Health Care UCITS ETF	5.1%	Cons. Staples	16.2%	6.9%		GBP	11%	+54%	65%
db x-trackers MSCI World Financials Index UCITS ETF (4.4%	Healthcare	20.6%	11.3%		USD	80%	-54%	26%
db x-trackers MSCI World Consumer Staples Index UC	3.9%	Energy	11.8%	3.5%		CAD	1%	-	1%
db x-trackers MSCI World Materials Index UCITS ETF (I	3.0%	Basic Materials	12.2%	5.3%		AUD	1%	-	1%
db x-trackers MSCI World Energy Index UCITS ETF (DR)	2.9%	Utilities	7.6%	2.6%		Other Dollar	0%	-	0%
db x-trackers MSCI World Utilities Index UCITS ETF (DI	1.9%	Real Estate	6.9%	2.6%		EUR	3%	-	3%
SPDR Dow Jones Global Real Estate UCITS ETF (Dist)	1.7%	Financials	18.6%	14.8%		CHF	1%	-	1%
db x-trackers MSCI World Information Technology Ind	1.0%	Industrials	1.0%	10.1%		Other Europe	0%	-	0%
Regional Equity ETFs	2.1%	Telecoms	0.2%	9.3%		JPY	1%	-	1%
SPDR FTSE UK All Share UCITS ETF	2.1%	Cons. Discretionary	0.9%	12.8%		Emerging	1%	-	1%
FIXED INCOME BONDS	13.9%	Technology	3.9%	20.8%			100%		100%
iShares \$ Treasury Bond 7-10yr UCITS ETF	13.9%	100.0%	100.0%						
GOLD & COMMODITIES	17.1%	BY REGION	Equity Allocation	Mkt Cap Wgt	Relative				
Lyxor Commodities Refinitiv/CoreCommodity CRB TR	12.2%				-20%				
Invesco Physical Gold	4.9%	UK	14.4%	3.9%					
CASH & EQUIVALENTS	43.0%	Europe ex UK	15.9%	12.5%					
Wisdom Tree USD Floating Rate Treasury Bond UCITS I	16.7%	Canada	4.6%	3.1%					
iShares \$ Ultrashort Bond UCITS ETF	13.7%	Australasia	3.3%	1.9%					
iShares \$ Treasury Bond 1-3yr UCITS ETF	4.9%	Japan	5.7%	6.1%					
Cash and liquid assets	7.7%	Dev. Asia ex Japan	1.3%	4.8%					
TOTAL	100.0%	USA	52.2%	57.8%					
		Emerging Mkts	2.6%	9.9%					
		100.0%	100.0%						

Charles Ekins
Fund Manager
Ekins Guinness LLP
Whitchurch, Hampshire, United Kingdom
18 August 2022

PORTFOLIO STATEMENTAs at 31 May 2022

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Exchanged Traded Funds - Equities (26.0%; 31.05.21 - 97.9%)		
11,227 DBX World Consumer	385,205	3.9
5,813 SPDR FTSE UK All Share	205,528	2.1
40,268 SPDR Global Real Estate	170,751	1.7
11,686 SPDR World Health Care	509,202	5.1
7,883 Xtrackers MSCI World Energy	286,774	2.9
23,261 Xtrackers MSCI World Financials	433,056	4.4
2,324 Xtrackers MSCI World Information Technology	96,772	1.0
6,746 Xtrackers MSCI World Materials	298,011	3.0
7,187 Xtrackers MSCI World Utilities	188,958	1.9
	2,574,257	26.0
Exchanged Traded Funds -Bonds (13.8%; 31.05.21 - 0.0%)		
9,222 iShares Treasury Bond UCITS	1,373,143	13.8
	1,373,143	13.8
Exchanged Traded Funds - Commodities (12.3%; 31.05.21 - 0.0%)		
50,703 Lyxor CoreCommodity UCITS	1,217,153	12.3
	1,217,153	12.3
Exchanged Traded Funds - Gold (4.9%; 31.05.21 - 0.0%)		
3,472 Source PHY Physical Gold	489,519	4.9
	489,519	4.9

PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2022

Holding or nominal value of positions	Unrealised Gain/(loss) value £	Percentage of total net assets %
Cash and equivalents (35.3%; 31.05.21 - 0.2%)		
4,706 iShares USD Treasury 1-3y	482,943	4.9
17,238 iShares \$ Ultrashort Bond UCITS	1,359,371	13.7
40,908 WisdomTree Float Rate Treasury Bond UCITS	1,656,741	16.7
£5,320,479 Forward FX GBP v \$6,700,000 (expires 29.06.22)	(1,454)	0.0
	<hr/> 3,497,601	<hr/> 35.3
Portfolio of investments	9,151,673	92.3
Net other assets	766,831	7.7
Total net assets	<hr/> 9,918,504	<hr/> 100.0

SUMMARY OF FUND PERFORMANCE

B Income Shares	1 Jun 2021 to 31 May 2022	1 Jun 2020 to 31 May 2021	1 Jun 2019 to 31 May 2020
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	127.88	102.58	104.35
Return before operating charges*	6.49	26.23	(1.02)
Operating charges	(0.93)	(0.81)	(0.75)
Return after operating charges*	5.56	25.42	(1.77)
Distributions on income shares	(2.64)	(0.12)	0.00
Closing net asset value per share	130.80	127.88	102.58
* after direct transaction costs of:	0.21	0.11	0.27
Performance			
Return after charges*	4.35%	24.78%	(1.70)%
Other information			
Closing net asset value	£4,357,605	£4,745,141	£4,733,532
Closing number of shares	3,331,398	3,710,641	4,614,644
Operating charges (p.a.)	0.87%	0.91%	0.89%
Direct transaction costs (p.a.)	0.16%	0.10%	0.25%
Prices			
Highest published share price	138.92	128.98	117.72
Lowest published share price	127.05	100.56	92.99

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

SUMMARY OF FUND PERFORMANCE (CONTINUED)

B Accumulation Shares	1 Jun 2021 to 31 May 2022	1 Jun 2020 to 31 May 2021	1 Jun 2019 to 31 May 2020
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	128.35	102.86	104.64
Return before operating charges*	6.70	26.30	(1.03)
Operating charges	(0.94)	(0.81)	(0.75)
Return after operating charges*	5.76	25.49	(1.78)
Distributions	(2.64)	(0.13)	0.00
Retained distributions on accumulation shares	2.64	0.13	0.00
Closing net asset value per share	134.11	128.35	102.86
* after direct transaction costs of:	0.21	0.11	0.27
Performance			
Return after charges*	4.49%	24.78%	(1.70)%
Other information			
Closing net asset value	£5,560,899	£5,267,367	£4,457,514
Closing number of shares	4,146,569	4,103,773	4,333,550
Operating charges (p.a.)	0.87%	0.91%	0.89%
Direct transaction costs (p.a.)	0.16%	0.10%	0.25%
Prices			
Highest published share price	139.48	129.34	118.05
Lowest published share price	127.41	100.84	93.24

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

STATEMENT OF TOTAL RETURNFor the year ended 31 May 2022

	Note	£	31.05.22 £	31.05.21 £
Income				
Net capital gains	2		245,277	2,105,730
Revenue	3	253,171		78,000
Expenses	4	(68,757)		(67,126)
Interest payable and similar charges	6	(756)		(946)
Net revenue before taxation		183,658		9,928
Taxation	5	-		-
Net revenue after taxation			183,658	9,928
Total return before distributions			428,935	2,115,658
Distributions	6		(194,664)	(9,930)
Change in shareholders' funds from investment activities			234,271	2,105,728

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERSFor the year ended 31 May 2022

	Note	£	31.05.22 £	31.05.21 £
Opening net assets attributable to shareholders			10,012,508	9,191,046
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		641,463		208,050
Amounts payable on cancellation of shares		(1,071,538)		(1,497,466)
			(430,075)	(1,289,416)
Change in shareholders' funds from investment activities			234,271	2,105,728
Retained distributions on accumulation shares	6		101,800	5,150
Closing net assets attributable to shareholders			9,918,504	10,012,508

BALANCE SHEETAs at 31 May 2022

	Note	31.05.22 £	31.05.21 £
Assets:			
Fixed Assets:			
Investments		9,153,127	9,818,490
Current Assets:			
Debtors	7	625,510	-
Cash and bank balances	8	1,284,302	212,946
Total assets		11,062,939	10,031,436
Liabilities:			
Investment liabilities		1,454	-
Creditors			
Distribution payable on income shares	6	-	4,413
Other creditors	9	1,142,981	14,515
Total liabilities		1,144,435	18,928
Net assets attributable to shareholders		9,918,504	10,012,508

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2022

1. Accounting policies

(a) Basis of accounting

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

As described in the Statement of the Authorised Corporate Director's Responsibilities, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the Fund.

(b) Functional currency

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Fund operates.

(c) Recognition of revenue

Dividends and distributions on holdings, net of any irrecoverable tax, are recognised when the underlying transferable security or collective investment scheme is quoted ex-dividend or ex-distribution. Bank interest and management fee rebates are accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

(d) Treatment of stock and special dividends

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

(e) Equalisation on distributions

Equalisation on revenue distributions received from underlying holdings in collective investment schemes is treated as a return of capital.

(f) Treatment of expenses

All expenses, except those relating to the purchase and sale of investments, are allocated to the revenue account on accrual basis.

(g) Allocation of revenue and expense to multiple share classes

Any assets or liabilities not attributable to a particular share class will be allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2022

1. Accounting policies (continued)**(h) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%. This is the rate that has been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements, or those of a previous period, that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply to the reversal of timing difference.

(i) Distribution policy

Revenue produced by the Fund's investments accrues six-monthly. At the end of each period, the revenue plus an adjustment for expenses allocated to capital, is accumulated/distributed at the discretion of the Investment Manager as per the prospectus.

(j) Exchange rates

Assets and liabilities in overseas currencies at the year-end are translated into Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the year are recorded at the rate of exchange on the date of the transaction.

(k) Financial instruments

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at closing prices on the balance sheet date, with any gains or losses arising on measurement recognised in the Statement of Total Return. If closing prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the ACD, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

The ACD did not apply any critical accounting judgements and key sources of estimation and uncertainty.

(l) Management Fee Rebates

Management fee rebates are accounted for on an accruals basis and are allocated to the capital or revenue account of the Fund, according to whether the underlying fund charges its fees to capital or revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

2. Net capital gains

	31.05.22	31.05.21
	£	£
Non-derivative securities	(470,556)	2,409,732
Currency gains/(losses)	828,093	(1,240,180)
Forward currency contracts (losses)/gains	(112,517)	936,178
CSDR penalties	257	-
Net capital gains	245,277	2,105,730

3. Revenue

	31.05.22	31.05.21
	£	£
UK franked distributions	254,008	75,666
UK unfranked distributions	7,400	2,415
Franked income currency losses	(5,834)	-
Bank interest	176	-
Unfranked income currency losses	(2,579)	(81)
Total revenue	253,171	78,000

4. Expenses

	31.05.22	31.05.21
	£	£
Payable to the ACD, associates of the ACD and agents of either:		
Annual management charge	68,757	67,126
Total expenses	68,757	67,126

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

5. Taxation**(a) Analysis of the charge in the year**

	31.05.22	31.05.21
	£	£
Analysis of charge in the year		
Corporation tax	-	-
Total current tax for the year (see note 5(b))	-	-
Deferred tax (see note 5(c))	-	-
Total taxation for the year	-	-

Corporation tax has been provided at a rate of 20%.

(b) Factors affecting the current taxation charge for the year

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised Open-Ended Investment Company (20%). The differences are explained below:

	31.05.22	31.05.21
	£	£
Net revenue before taxation	183,658	9,928
Corporation tax at 20%	36,732	1,986
Effects of:		
Revenue not subject to taxation	(49,635)	(15,133)
Excess expenses for which no relief taken	12,903	13,147
Current tax charge for the year (see note 5(a))	-	-

(c) Provision for deferred tax

As at 31 May 2022, the Fund had surplus management expenses of £225,435 (31 May 2021: £160,918). The deferred tax in respect of this would be £45,087 (31 May 2021: £32,184). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end (see note 5(a)). Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

6. Distributions

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

	31.05.22	31.05.21
	£	£
Interim - Income	92,380	-
Final - Income	-	4,413
	<u>92,380</u>	<u>4,413</u>
Interim - Accumulation	101,800	-
Final - Accumulation	-	5,150
	<u>101,800</u>	<u>5,150</u>
Add: Revenue deducted on cancellation of shares	565	377
Deduct: Revenue received on issue of shares	(81)	(10)
Net distribution for the year	<u>194,664</u>	<u>9,930</u>
Interest	756	946
Total finance costs	<u>195,420</u>	<u>10,876</u>
Reconciliation to net distribution for the year		
Net revenue after taxation for the year	183,658	9,928
Realised income currency (losses)	-	2
Losses transferred to capital	11,006	-
Net distribution for the year	<u>194,664</u>	<u>9,930</u>

Details of the distribution per share are set out in the Distribution Tables on page 33.

7. Debtors

	31.05.22	31.05.21
	£	£
Amounts receivable for issue of shares	484,460	-
Sales awaiting settlement	140,872	-
Accrued revenue	178	-
Total debtors	<u>625,510</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

8. Cash and bank balances

	31.05.22	31.05.21
	£	£
Cash and bank balances	1,284,302	212,946
Total cash and bank balances	1,284,302	212,946

9. Other Creditors

	31.05.22	31.05.21
	£	£
Amounts payable for cancellation of shares	9,941	9,137
Purchases awaiting settlement	1,127,217	-
Accrued managers fees	5,823	5,348
Debit interest payable	-	30
Total creditors	1,142,981	14,515

10. Related party transactions

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at 31 May 2022, one nominee shareholder held shares equal to approximately 30.6% of the Fund's total Net Asset Value.

Details of transactions occurring during the accounting year with the ACD and the Depositary, and any balances due at the year-end are fully disclosed in the notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

11. Share classes

As at the year end, the Fund had two share classes. The following table shows a breakdown of the change in shares in issue of each share class in the year:

	B Income
Opening shares at the start of the year	3,710,640.806
Total creation of shares in the year	37,963.686
Total cancellation of shares in the year	(417,206.525)
Closing shares at the end of the year	3,331,397.967

	B Accumulation
Opening shares at the start of the year	4,103,772.808
Total creation of shares in the year	438,993.629
Total cancellation of shares in the year	(396,197.696)
Closing shares at the end of the year	4,146,568.741

The annual management charge of each share class is as follows:

B Income Shares	0.70% p.a.
B Accumulation Shares	0.70% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Summary of Fund Performance tables on pages 17 and 18. The distributions per share class are given in the Distribution Tables on page 33. Both share classes have the same rights on winding up.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

12. Risk management policies

In pursuing the investment objectives, financial instruments are held which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the year, are set out below:

(a) Currency exposures

The Fund's financial assets are mainly invested in other Collective Investment Schemes and transferrable securities whose prices are generally quoted in Sterling. The Fund may also invest in other schemes whose prices are quoted in other currencies. This gives rise to a direct currency exposure, details of which are shown in the following table:

	Net foreign currency assets at 31 May 2022			Net foreign currency assets at 31 May 2021		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
US Dollar	83	7,962	8,045	254	6,772	7,026

The Investment Manager has used forward currency contracts throughout the year to help manage the currency exposure.

In addition, the Fund holds collective investment schemes which may in turn hold underlying investments in foreign currencies. The Fund may therefore have an indirect exposure to exchange rate movements on those underlying investments. Movements in exchange rates will impact on the prices of such underlying investments and as a result may affect the value of the Fund.

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £813,418 (31 May 2021: £674,862). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £994,178 (31 May 2021: £824,832). These calculations assume all other variables remain constant.

(b) Cash flow risk and interest rate risk profile of financial assets and liabilities

The Fund's revenue is mainly received from holdings in collective investment schemes. The revenue cash flow from these and from their underlying investments may fluctuate depending upon decisions made by the companies in which they invest. The Fund does not have any long-term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances and on certain underlying investments held by the collective investment schemes in which it invests.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

12. Risk management policies (continued)**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities (continued)**

The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not bearing interest £'000	Floating rate financial liabilities £'000	Financial liabilities not bearing interest £'000	Total £'000
31.05.22						
Sterling	1,201	-	690	-	(17)	1,874
US Dollar	83	-	9,089	-	(1,127)	8,045
31.05.21						
Sterling	-	-	3,046	(41)	(19)	2,986
US Dollar	254	-	6,772	-	-	7,026

Short-term debtors and creditors are included as financial assets and liabilities not carrying interest in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not carrying interest mainly comprise investments that do not have a maturity date. Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

(c) Liquidity risk

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis. 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. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

12. Risk management policies (continued)**(e) Market price risk and fair value of financial assets and liabilities**

The value of the shares/units in the underlying schemes are not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying scheme or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of collective investment schemes in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10%, the change in the net asset value of the Fund would be £915,313 (31 May 2021: £979,822). This calculation assumes all other variables remain constant.

(f) Fair value of financial assets and liabilities

Basis of Valuation	INVESTMENT ASSETS	
	31 May 2022	31 May 2021
	£	£
Level 1: Quoted Prices	9,153,127	9,798,215
Level 2: Observable Market Data		20,275
Level 3: Unobservable Data	-	-
	<u>9,153,127</u>	<u>9,818,490</u>

Basis of Valuation	INVESTMENT LIABILITIES	
	31 May 2022	31 May 2021
	£	£
Level 1: Quoted Prices	-	-
Level 2: Observable Market Data	1,454	-
Level 3: Unobservable Data	-	-
	<u>1,454</u>	<u>-</u>

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

(g) Commitments on derivatives

At the balance sheet date the Fund held derivatives with a total unrealised loss amount of £1,454 (31 May 2021: unrealised gain of £20,275).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

13. Transaction costs**(a) Direct transaction costs**

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to the direct transaction costs below, indirect costs are incurred through the bid offer spread. It is not possible for the ACD to quantify these indirect costs. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the year are shown in the table below:

	31.05.22		31.05.21	
	£		£	
Analysis of total purchase costs				
PURCHASES				
Exchange Traded Funds	33,645,594		22,904,407	
Net purchases before direct transaction costs	33,645,594		22,904,407	
		% of total		% of total
		purchases		purchases
DIRECT TRANSACTION COSTS				
Exchange Traded Funds	7,507	0.02%	4,724	0.02%
Total direct transaction costs	7,507	0.02%	4,724	0.02%
Gross purchases total	33,653,101		22,909,131	
Analysis of total sale costs				
SALES				
Exchange Traded Funds	34,850,100		23,559,061	
Gross sales before direct transaction costs	34,850,100		23,559,061	
		% of total		% of total
		sales		sales
DIRECT TRANSACTION COSTS				
Exchange Traded Funds	(7,966)	0.02%	(4,522)	0.02%
Total direct transaction costs	(7,966)	0.02%	(4,522)	0.02%
Net sales total	34,842,134		23,554,539	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2022

13. Transaction costs (continued)**(a) Direct transaction costs (continued)**

	31.05.22	% of	31.05.21	% of
	£	average NAV	£	average NAV
Analysis of total direct transaction costs				
Exchange Traded Funds	15,473	0.16%	9,246	0.10%
Total direct transaction costs	<u>15,473</u>	<u>0.16%</u>	<u>9,246</u>	<u>0.10%</u>

(b) Average Portfolio Dealing Spread

The average portfolio dealing spread of the investments at the balance sheet date was 0.12% (31 May 2021: 0.18%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

14. Capital commitments and contingent liabilities

The Fund had no capital commitments or contingent liabilities at the balance sheet date.

15. Post balance sheet events

Subsequent to the year-end, the net asset value per share of each share class has changed as follows:

- The B Income shares have increased from 130.80p to 131.33p as at 5 August 2022.
- The B Accumulation shares have increased from 134.11p to 134.65p as at 5 August 2022.

These movements take into account routine transactions but also reflect the market movements of recent months. There are no post balance sheet events which require adjustments at the year-end.

DISTRIBUTION TABLEFor the year ended 31 May 2022

Interim Distribution (30 November 2021)

Group 1 - Shares purchased on or prior to 31 May 2021

Group 2 - Shares purchased after 31 May 2021

Shares	Revenue	Equalisation ¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.01.22 (pence)	31.01.21 (pence)
B Income				
Group 1	2.6406	-	2.6406	-
Group 2	2.5516	0.0890	2.6406	-
B Accumulation				
Group 1	2.6427	-	2.6427	-
Group 2	2.5428	0.0999	2.6427	-

Final Distribution (31 May 2022)

Group 1 - Shares purchased on or prior to 30 November 2021

Group 2 - Shares purchased after 30 November 2021

Shares	Revenue	Equalisation ¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.07.22 (pence)	31.07.21 (pence)
B Income				
Group 1	-	-	-	0.1189
Group 2	-	-	-	0.1189
B Accumulation				
Group 1	-	-	-	0.1254
Group 2	-	-	-	0.1254

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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Mrs R E Elliott
Mr M Hand
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