



# LF Lindsell Train UK Equity Fund

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2023



## AUTHORISED CORPORATE DIRECTOR ('ACD') AND ALTERNATIVE INVESTMENT FUND MANAGER ('AIFM')

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(Authorised and regulated by the Financial Conduct Authority)

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A.G. Reid\*

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E.E. Tracey\*

## PORTFOLIO MANAGER

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### LINDSELL TRAIN LIMITED

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(Authorised and regulated by the Financial Conduct Authority)

## DEPOSITARY

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## REGISTRAR

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### LINK FUND ADMINISTRATORS LIMITED

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(Authorised and regulated by the Financial Conduct Authority)

## INDEPENDENT AUDITOR

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\* Non-Executive Directors of the ACD.

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## ACD'S REPORT

for the year ended 31 May 2023

### Authorised Status

LF Lindsell Train UK Equity Fund ('the Fund') is an investment company with variable capital incorporated in England and Wales under registered number IC000459 and authorised by the Financial Conduct Authority with effect from 30 June 2006. The Fund has an unlimited duration.

The Fund is a Non-UCITS Retail Scheme and the base currency is pounds sterling.

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

The AIFM is the legal person appointed on behalf of the Fund and which (through this appointment) is responsible for managing the Fund in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013. This role is performed by the ACD and references to the ACD in this Annual Report and Financial Statements include the AIFM as applicable.

### ACD's Statement

#### Proposed Sale of Fund Solutions Business

On 20 April 2023 Link Group announced the sale of the Fund Solutions Business ('FS Business') and that certain subsidiaries of Link Group, including Link Fund Solutions Limited ('LFSL'), entered into sale agreements with entities within the Waystone Group pursuant to which Link Group companies have agreed to sell to the Waystone Group: (i) the business and certain assets of LFSL; (ii) the business and certain assets of Link Fund Manager Solutions (Ireland) Limited (LFMS(I)L); and (iii) the entire issued share capital of certain other subsidiaries of Link Group, which together with the business of LFSL and LFMS(I)L comprise the FS Business (other than its Luxembourg and Swiss entities), but excluding Woodford related liabilities and, subject to normalised working capital adjustments, on a debt and cash free basis. The sale is conditional on various matters, including receipt of certain regulatory approvals, notices and consents from the FCA and the Central Bank of Ireland, anti-trust approval from the Competition and Consumer Protection Commission of Ireland and no in-depth investigation of the sale by the UK Competition and Markets Authority. It is possible that Irish foreign investment approval may also be needed depending on whether a foreign investment regime is introduced in Ireland before completion of the sale and the parties agree a filing is required. The sale is also conditional on contracts representing a significant majority of revenue in respect of LFSL's ACD business and LFMS(I)L's business being transferred to the Waystone Group and consent having been received from certain third parties in respect of the transfer of their business to the Waystone Group. The Waystone Group, LFSL and LFMS(I)L have agreed to work to achieve those and other conditions. The sale is not contingent on the Scheme or the Settlement becoming unconditional. The sale is targeted to complete by October 2023.

The above proposed changes will not impact either the ongoing management of the Fund nor its continuing viability. Investors will be notified, assuming the proposed changes conclude satisfactorily, in due course on the timing of the transfer of the Fund to Waystone Group.

## ACD'S REPORT *continued*

### Economic Uncertainty

Whilst the outbreak of COVID-19 in March 2020 now seems a distant memory, and Russia's incursion into Ukraine in February 2022 remains an unresolved conflict, the consequences of these and other factors continue to be felt in both the domestic and global economy. Significant increases in the prices of energy and commodities have reverberated around the world, leading to many countries seeing inflation rates at levels not seen for many years. To curb the increase in inflation, many nations' central banks have been progressively increasing interest rates, a process which is expected to continue until inflation is brought under control in their respective countries. What is not clear at this time is whether the consequences of these events will culminate in local, or even a global, recession. With this level of economic uncertainty, it is reasonably foreseeable that markets may see further periods of instability and, consequently, volatility in asset pricing.

### Investment Objective and Policy

The investment objective of the Fund is to achieve capital and income growth and provide a total return in excess of the FTSE All-Share Total Return Index, over any five-year period, after all costs and charges have been taken.

Capital invested is at risk and there is no guarantee the objective will be achieved over any time period.

The investment policy of the Fund is to invest at least 70% of its assets directly in the shares of companies incorporated or domiciled in the United Kingdom. Up to 10% of its assets may be invested in companies that are listed on an exchange in the United Kingdom. The Fund will be concentrated with the number of securities unlikely to exceed 35.

The Fund may invest up to 20% of its assets in non-UK equities from countries worldwide (including emerging markets), cash, deposits and money market instruments.

The Fund does not have any restriction on the industry sectors or size of companies that it can invest in.

The minimum investment amount and ranges referenced above will not apply under extraordinary market conditions, in which circumstances the Fund may invest in asset classes other than those in which it normally invests in order to mitigate its exposure to market risk. Examples of extraordinary market conditions include economic or political unrest or instability, world events leading to market instability, or any events which give rise to high potential for investments to suffer a decline in value. During such periods, the Fund may temporarily invest up to 100% of its total assets in cash, deposits, treasury bills, government bonds or short-term money market instruments, or have substantial holdings in cash and cash equivalents.

## ACD'S REPORT *continued*

### Benchmark

The Fund's target benchmark is the FTSE All-Share TR Index.

The FTSE All-Share TR Index has been selected as the Fund's target return benchmark as it represents broad exposure to companies listed on the London Stock Exchange, which is in line with the Fund's investment policy. The Fund is not constrained by the target benchmark and will take positions in individual stocks that differ significantly from the FTSE All-Share TR Index, with the aim of achieving a return (the money made or lost on an investment) in excess of the target benchmark.

### Remuneration Policy

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

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

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

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

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 30 June 2022, being the most recent accounting period for which accounts have been prepared by LFSL prior to the production of these accounts. As at 30 June 2022, LFSL operated 91 UK UCITS and 105 AIFs, whose respective assets under management ('AuM') were £37,814 million and £44,462 million. The Fund was valued at £4,697 million as at that date and represented 5.71% of LFSL's total AuM and 10.56% of its AIF AuM.

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

The disclosure below represents that required under FUND 3.3.5R (5) and (6) for funds subject to AIFMD obligations.

2022	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 30 June 2022	183	8,711	618	9,329
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 30 June 2022				
Senior management (including all Board members)	7	878	205	1,083
Staff engaged in control functions	7	666	52	718
Risk takers and other identified staff	22	1,577	150	1,727
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	-	-	-	-

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

Further details can be found at: <https://www.linkfundsolutions.co.uk/media/gjcdba2w/lfs-explanation-of-compliance-with-remuneration-code.pdf>.

### Securities Financing Transactions

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

## ACD'S REPORT *continued*

### Task Force on Climate-related Financial Disclosures ('TCFD')

In accordance with current Financial Conduct Authority rules, the ACD is required to publish its own TCFD report and that of each fund. The LFSL report can be found at TCFD Reporting ([linkfundsolutions.co.uk](https://www.linkfundsolutions.co.uk)) and the report of the Fund can be found at <https://www.linkfundsolutions.co.uk/uk/lindsell-train-limited/>.

Prior to accessing the report of the Fund there is a link to the 'TCFD Reporting Guide' which provides an explanation of the TCFD report.

### Value Assessment

In accordance with current Financial Conduct Authority rules, the ACD is required to carry out an annual assessment on whether the Fund provides value to investors. The outcome of the latest assessment is available on the ACD's website.

### LINK FUND SOLUTIONS LIMITED

ACD of LF Lindsell Train UK Equity Fund  
4 September 2023



## ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 May 2023

Despite a continuing backdrop of the global macroeconomic turbulence that has marked the past few years, the Fund had a better year to end May 2023 with a return of 8.72% versus the FTSE All-Share TR Index GBP's 0.44%.

Besides takeover candidate Manchester United (up 54%, but at the time of writing no closer to a resolution on the deal), our three best performers were Sage, up just under 35%, Burberry, up nearly 30%, and Mondelez, up over 20%. Over the year Sage has reported a series of encouraging quarterly results – including growth in its pure cloud products of over 40% – and then delivered a set of consistently strong interim results at the end of May, demonstrating accelerating recurring revenue growth of over 12% and a strong rise in profitability. One of Lindsell Train's key investment theses is that technology is turbo-charging the business models of the most exceptional companies, offering the chance to materially boost productivity and efficiency internally and, more importantly, for its customers. We believe that Sage is one such exceptional company and are optimistic that the results we have seen this year could indicate that the “tech levelling up” has begun to offer exactly those boosts.

Burberry, now one of the largest positions in the Fund, hit an all-time high in April following the very well received first show from the new creative director, Daniel Lee. Burberry's share price has been depressed for a very long time – the low was September 2022, at which point the shares were at the same level as 2013 – which can partly be explained by Burberry's expensive and extended strategy to “trade up” the brand into the true luxury category. Such transitions upwards are inevitably painful, necessitating revenue and margin sacrifice whilst shifting away from wholesale and discounting and investing in the brand and physical store locations. But we see some indications that this work is finally beginning to pay off (we are certainly encouraged by the fact that Burberry has successfully raised prices more than three times in the last two years, most recently on the iconic trench coat and the leather goods) and perhaps investors are starting to recognise the value we believe is inherent in Burberry as an iconic global luxury brand. We certainly hope so.

Despite its US listing, Cadbury and Oreos owner Mondelez remains a holding in the Fund after Cadbury's acquisition by Kraft and subsequent spin-off as a separate, snack-focused business. We like snacks as a category – these highly branded, impulse-driven products tend to engender far more consumer loyalty than any other food, as demonstrated by private label's global inability to get a toehold in any product space – and admire globally resonant, multi-generational snack brands most of all. During the year Mondelez announced that Oreos have now become a \$4bn brand, and upgraded its forecast for earnings growth in 2023 to 10%. Together with an acceleration in emerging market sales (a key battleground for all snack manufacturers, hoping to capture the taste buds and hearts of new generations with disposable income) and confirmation of its ability to price its products and protect against inflation, Mondelez's shares performed well over the period.

Turning to the detractors. Rémy Cointreau returned -14% in sterling terms, with most of this coming late in May as the shares fell 13% on the back of its Q4 results indicating upcoming uncertainty in its key US market. And although Fever-Tree was one of the best performers over the first quarter of 2023, this was nevertheless

**ACD'S REPORT** *continued*

**PORTFOLIO MANAGER'S REPORT** *continued*

not enough to offset its earlier weakness throughout 2022, driven by profit warnings citing unusually high US logistics and packaging costs. This was particularly poorly received as the company took the decision to continue shouldering these costs and sacrificing profit margins in order to prioritise brand building in the US, where management sees a secular growth opportunity. Overall with a -10.5% return, Fever-Tree joins Rémy in the bottom two performers. In both cases we recognise there are difficulties in the short term but remain optimistic about the brands' prospects long term – so much so that we spoke to Fever-Tree's management in the aftermath of the warning partly to congratulate them for doing, in our opinion, the right thing for the long term health of the business.

Ultimately we continue to believe that taking a long term view ourselves and seeking the same in our portfolio companies is the best way to create value in the long term. We are committed to our strategy of investing in high quality, durable, uniquely “moated” businesses, and recognise that although share prices can and will fluctuate, we remain convinced that in the long run, the success of the strategy will ultimately come from the business performance of the underlying companies. As a final illustration, by value of the Fund, over 90% of the holdings increased their dividends in 2022 and c.85% also either paid a special dividend or conducted a share buyback. Only companies with very strong balance sheets and cash flows can do this.

**LINDSELL TRAIN LIMITED**

Portfolio Manager

9 June 2023

ACD'S REPORT *continued*

FUND INFORMATION

Risk and Reward Profile



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

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

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

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

**Currency Risk:** As the Fund can be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

**Counterparty Risk:** The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

**Emerging Markets Risk:** The Fund may invest in emerging markets, which are markets in countries that are developing. Emerging markets may have more political and economic risks than developed markets, resulting in price movements that may cause a loss to the Fund.

**Concentrated Fund Risk:** The Fund intentionally holds a small number of investments and so will be more concentrated than many other funds. The Fund may also invest in stocks with a particular industry, sector or geographical focus. This means that the performance of a single stock, industry, sector or geographical region within the Fund has a greater effect (loss or gain) on the value of the Fund.

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

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Comparative Tables**

**INCOME SHARES**

<b>CHANGE IN NET ASSETS PER SHARE</b>	<b>31.05.23</b> pence per share	<b>31.05.22</b> pence per share	<b>31.05.21</b> pence per share
Opening net asset value per share	320.72	345.08	313.01
Return before operating charges*	31.92	(15.37)	39.76
Operating charges	(2.18)	(2.21)	(2.08)
Return after operating charges	29.74	(17.58)	37.68
Distributions	(6.72)	(6.78)	(5.61)
Closing net asset value per share	343.74	320.72	345.08
* after direct transaction costs of:	0.10	0.22	0.18

**PERFORMANCE**

Return after charges	9.27%	(5.09)%	12.04%
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**OTHER INFORMATION**

Closing net asset value (£'000)	860,055	945,760	1,266,996
Closing number of shares	250,203,052	294,886,940	367,159,975
Operating charges	0.65%	0.64%	0.64%
Direct transaction costs	0.03%	0.06%	0.05%

**PRICES**

Highest share price	364.91	366.57	351.48
Lowest share price	296.44	304.85	294.12

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Comparative Tables** *continued*

**ACCUMULATION SHARES**

<b>CHANGE IN NET ASSETS PER SHARE</b>	<b>31.05.23</b> pence per share	<b>31.05.22</b> pence per share	<b>31.05.21</b> pence per share
Opening net asset value per share	470.88	496.52	442.95
Return before operating charges*	46.92	(22.44)	56.52
Operating charges	(3.21)	(3.20)	(2.95)
Return after operating charges	43.71	(25.64)	53.57
Distributions	(9.91)	(9.80)	(7.97)
Retained distributions on accumulation shares	9.91	9.80	7.97
Closing net asset value per share	514.59	470.88	496.52
* after direct transaction costs of:	0.15	0.32	0.25

**PERFORMANCE**

Return after charges	9.28%	(5.16)%	12.09%
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**OTHER INFORMATION**

Closing net asset value (£'000)	2,453,984	2,720,556	3,728,133
Closing number of shares	476,879,174	577,760,473	750,857,465
Operating charges	0.65%	0.64%	0.64%
Direct transaction costs	0.03%	0.06%	0.05%

**PRICES**

Highest share price	540.75	532.40	500.98
Lowest share price	435.25	442.76	416.21

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Comparative Tables** *continued*

**'D' INCOME SHARES**

<b>CHANGE IN NET ASSETS PER SHARE</b>	<b>31.05.23</b> pence per share	<b>31.05.22</b> pence per share	<b>31.05.21</b> pence per share
Opening net asset value per share	162.47	174.68	158.32
Return before operating charges*	16.18	(7.79)	20.12
Operating charges	(0.85)	(0.86)	(0.80)
Return after operating charges	15.33	(8.65)	19.32
Distributions	(3.53)	(3.56)	(2.96)
Closing net asset value per share	174.27	162.47	174.68
* after direct transaction costs of:	0.05	0.11	0.09

**PERFORMANCE**

Return after charges	9.44%	(4.95)%	12.20%
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**OTHER INFORMATION**

Closing net asset value (£'000)	346,969	398,452	752,560
Closing number of shares	199,101,626	245,246,177	430,818,009
Operating charges	0.50%	0.49%	0.49%
Direct transaction costs	0.03%	0.06%	0.05%

**PRICES**

Highest share price	185.04	185.65	177.98
Lowest share price	150.18	154.44	148.86

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Comparative Tables** *continued*

**'D' ACCUMULATION SHARES**

<b>CHANGE IN NET ASSETS PER SHARE</b>	<b>31.05.23</b> pence per share	<b>31.05.22</b> pence per share	<b>31.05.21</b> pence per share
Opening net asset value per share	193.26	203.48	181.25
Return before operating charges*	19.27	(9.22)	23.15
Operating charges	(1.01)	(1.00)	(0.92)
Return after operating charges	18.26	(10.22)	22.23
Distributions	(4.23)	(4.17)	(3.41)
Retained distributions on accumulation shares	4.23	4.17	3.41
Closing net asset value per share	211.52	193.26	203.48
* after direct transaction costs of:	0.06	0.13	0.10

**PERFORMANCE**

Return after charges	9.45%	(5.02)%	12.26%
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**OTHER INFORMATION**

Closing net asset value (£'000)	746,672	938,208	858,270
Closing number of shares	353,001,935	485,460,892	421,800,695
Operating charges	0.50%	0.49%	0.49%
Direct transaction costs	0.03%	0.06%	0.05%

**PRICES**

Highest share price	222.24	218.38	205.30
Lowest share price	178.65	181.66	170.42

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

Fund Performance to 31 May 2023 (%)

	1 year	3 years	5 years
LF Lindsell Train UK Equity Fund	8.72	15.03	24.63
FTSE All-Share TR Index GBP <sup>1</sup>	0.44	33.90	15.18

<sup>1</sup> Source: Morningstar Direct.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 42 and 43.

**RISK WARNING**

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



**ACD'S REPORT** *continued*

**PORTFOLIO STATEMENT**

as at 31 May 2023

Holding	Portfolio of Investments	Value £'000	31.05.23 %
	UNITED KINGDOM – 80.63% (31.05.22 – 80.83%)		
	TECHNOLOGY – 7.15% (31.05.22 – 5.94%)		
	SOFTWARE AND COMPUTER SERVICES – 7.15% (31.05.22 – 5.94%)		
36,182,000	Sage	315,001	7.15
	TOTAL TECHNOLOGY	<u>315,001</u>	<u>7.15</u>
	FINANCIALS – 30.39% (31.05.22 – 31.65%)		
	FINANCE AND CREDIT SERVICES – 9.98% (31.05.22 – 8.91%)		
15,544,500	Experian	<u>439,909</u>	<u>9.98</u>
	INVESTMENT BANKING AND BROKERAGE SERVICES – 20.41% (31.05.22 – 22.74%)		
18,853,000	Hargreaves Lansdown	151,201	3.43
5,191,500	London Stock Exchange	443,769	10.07
3,263,000	Rathbone Brothers	65,064	1.48
52,593,500	Schroders	<u>239,563</u>	<u>5.43</u>
		<u>899,597</u>	<u>20.41</u>
	TOTAL FINANCIALS	<u>1,339,506</u>	<u>30.39</u>
	CONSUMER DISCRETIONARY – 29.90% (31.05.22 – 30.27%)		
	PERSONAL GOODS – 16.88% (31.05.22 – 18.42%)		
17,425,000	Burberry	375,160	8.51
9,161,000	Unilever	<u>369,051</u>	<u>8.37</u>
		<u>744,211</u>	<u>16.88</u>
	MEDIA – 9.95% (31.05.22 – 9.64%)		
17,480,000	RELX	<u>438,573</u>	<u>9.95</u>

**ACD'S REPORT** *continued*

**PORTFOLIO STATEMENT** *continued*

as at 31 May 2023

Holding	Portfolio of Investments	Value £'000	31.05.23 %
	TRAVEL AND LEISURE – 3.06% (31.05.22 – 1.97%)		
7,876,991	Celtic <sup>1</sup>	10,043	0.23
461,527	Celtic 6% Perpetual <sup>1</sup>	593	0.01
6,956,000	Manchester United	108,431	2.46
6,500	Young & Co's Brewery 'A' <sup>1</sup>	77	–
2,018,000	Young & Co's Brewery ( <i>non-voting</i> ) <sup>1</sup>	15,983	0.36
		<u>135,127</u>	<u>3.06</u>
	RETAILERS – 0.01% (31.05.22 – 0.24%)		
559,665	Cazoo	596	0.01
	TOTAL CONSUMER DISCRETIONARY	<u>1,318,507</u>	<u>29.90</u>
	CONSUMER STAPLES – 13.19% (31.05.22 – 12.97%)		
	BEVERAGES – 13.19% (31.05.22 – 12.97%)		
5,512,000	A.G. Barr	27,780	0.63
12,511,500	Diageo	418,760	9.50
9,950,000	Fever-Tree Drinks <sup>1</sup>	134,723	3.06
	TOTAL CONSUMER STAPLES	<u>581,263</u>	<u>13.19</u>
	TOTAL UNITED KINGDOM	<u>3,554,277</u>	<u>80.63</u>
	OVERSEAS – 18.35% (31.05.22 – 17.53%)		
	FRANCE – 3.94% (31.05.22 – 5.15%)		
1,404,000	Rémy Cointreau	173,538	3.94
	NETHERLANDS – 6.76% (31.05.22 – 5.56%)		
3,666,000	Heineken NV	297,796	6.76
	UNITED STATES – 7.65% (31.05.22 – 6.82%)		
5,692,000	Mondelēz International	337,277	7.65
	TOTAL OVERSEAS	<u>808,611</u>	<u>18.35</u>

**ACD'S REPORT** *continued*

**PORTFOLIO STATEMENT** *continued*

as at 31 May 2023

Holding	Portfolio of Investments	Value £'000	31.05.23 %
	Portfolio of investments	4,362,888	98.98
	Net other assets	<u>44,792</u>	<u>1.02</u>
	Net assets	<u>4,407,680</u>	<u>100.00</u>

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

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

**ACD'S REPORT** *continued*

**SUMMARY OF MATERIAL PORTFOLIO CHANGES**

for the year ended 31 May 2023

Total purchases for the year £'000 (note 16)	328,081	Total sales for the year £'000 (note 16)	1,219,511
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Heineken NV	58,866	Burberry	189,889
Experian	55,553	London Stock Exchange	161,828
London Stock Exchange	48,913	Unilever	149,286
RELX	34,758	RELX	125,313
Diageo	29,038	Experian	95,198
Rémy Cointreau	20,843	Sage	79,839
Fever-Tree Drinks	15,273	Rémy Cointreau	76,555
Burberry	14,913	Schroders	71,913
Sage	13,709	Mondelēz International	65,693
Hargreaves Lansdown	10,891	Diageo	56,695

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

## DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook and the Investment Funds Sourcebook, as applicable, as issued and amended by the Financial Conduct Authority together with the relevant provisions of the Alternative Investment Fund Manager's Directive and modified by a direction given by the Financial Conduct Authority where the ACD has opted to provide a NURS KII Document, a Key Investor Information Document for Non-UCITS Retail Schemes.

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Lindsell Train UK Equity Fund

4 September 2023

## STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority ('the COLL Sourcebook') and the Investment Funds Sourcebook (the 'FUND Sourcebook'), as applicable, requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Fund and of the net revenue/expense and net capital gains/losses on the property of the Fund for the year.

In preparing the financial statements the ACD is responsible for:

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

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

## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook and, from 22 July 2014, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Fund's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as summarised below.

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

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

The Depositary must ensure that:

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

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

## REPORT OF THE DEPOSITARY

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

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

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

Depositary of LF Lindsell Train UK Equity Fund

4 September 2023



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND

### Opinion

We have audited the financial statements of LF Lindsell Train UK Equity Fund ('the Fund') for the year ended 31 May 2023, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting and distribution policies of the Fund set out on pages 29 to 31, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable to 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 Fund as at 31 May 2023 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund 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) 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 of the Fund, we have concluded that the Authorised Corporate Director's (the 'ACD') 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 Fund's ability to continue as a going concern for a period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND *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 this 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on Other Matters Prescribed by the Rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the 'FCA')

In our opinion:

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND *continued*

### Responsibilities of the ACD

As explained more fully in the ACD's Responsibilities Statement set out on page 20, 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 Fund'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 wind up or terminate the Fund 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.

### Explanation as to What Extent 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 irregularities, including fraud. 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 deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Accounting Standards (UK GAAP) including FRS 102, the Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Fund's Instrument of Incorporation and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the ACD and the Fund's administrator and a review of the Fund's documented policies and procedures.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND *continued*

- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate to identify non-compliance with the applicable 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of Our Report

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

### ERNST & YOUNG LLP

Statutory Auditor  
Edinburgh  
4 September 2023

## FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 May 2023

	Notes	£'000	31.05.23 £'000	£'000	31.05.22 £'000
Income:					
Net capital gains/(losses)	3		333,871		(359,209)
Revenue	4	111,877		137,363	
Expenses	5	(28,882)		(36,164)	
Interest payable and similar charges	7	(1)		(1)	
Net revenue before taxation		82,994		101,198	
Taxation	6	(1,729)		(1,773)	
Net revenue after taxation			81,265		99,425
Total return before distributions			415,136		(259,784)
Distributions	8		(95,705)		(117,550)
Change in net assets attributable to shareholders from investment activities			319,431		(377,334)

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

for the year ended 31 May 2023

	£'000	31.05.23 £'000	£'000	31.05.22 £'000
Opening net assets attributable to shareholders		5,002,976		6,605,959
Amounts receivable on issue of shares	126,402		114,565	
Amounts payable on redemption of shares	(1,106,560)		(1,420,666)	
		(980,158)		(1,306,101)
Change in net assets attributable to shareholders from investment activities		319,431		(377,334)
Retained distributions on Accumulation shares		65,431		80,452
Closing net assets attributable to shareholders		4,407,680		5,002,976

**FINANCIAL STATEMENTS** *continued*

**BALANCE SHEET**

as at 31 May 2023

	Notes	31.05.23 £'000	31.05.22 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		4,362,888	4,920,818
Current assets			
Debtors	9	37,607	17,154
Cash and cash equivalents	10	44,642	90,806
<b>Total assets</b>		<u>4,445,137</u>	<u>5,028,778</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	11	(12,481)	(14,777)
Other creditors	11	(24,976)	(11,025)
<b>Total liabilities</b>		<u>(37,457)</u>	<u>(25,802)</u>
<b>Net assets attributable to shareholders</b>		<u>4,407,680</u>	<u>5,002,976</u>

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2023

#### 1. Accounting Policies

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

##### (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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014, as amended.

These financial statements are prepared on a going concern basis. The ACD has made an assessment of the Fund's ability to continue as a going concern, and is satisfied it has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made as at the date of issue of these financial statements, covering the subsequent 12 months, and considers liquidity, declines in global capital markets, known redemption levels, expense projections and key service provider's operational resilience. The ACD also considered the Fund's continued ability to meet ongoing costs, and is satisfied it has the resources to meet these costs and to continue in business.

##### (B) RECOGNITION OF REVENUE

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

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

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

##### (C) TREATMENT OF EXPENSES

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

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

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

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

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2023

#### (E) TAXATION

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

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

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

#### (F) BASIS OF VALUATION OF INVESTMENTS

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

Quoted investments are valued at fair value which generally is the bid price.

#### (G) EXCHANGE RATES

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

#### (H) DILUTION LEVY

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

#### (I) PORTFOLIO TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.



## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2023

#### 2. Distribution Policies

For the purpose of calculating the distributable amount 50% of all charges, costs and expenses (excluding transaction charges and the cost of establishing the Fund which will be wholly allocated to capital) are allocated to the capital of the Fund. This will increase the amount of revenue available for distribution; however, will erode capital and may constrain capital growth.

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

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

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

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

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

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

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

	31.05.23 £'000	31.05.22 £'000
Non-derivative securities	333,500	(358,735)
Transaction charges	(11)	(18)
Currency gains/(losses)	382	(456)
Net capital gains/(losses)	<u>333,871</u>	<u>(359,209)</u>

The net capital gains figure includes realised gains of £242,329,000 and unrealised gains of £717,910,000 (31.05.22: includes realised gains of £553,820,000 and unrealised gains of £626,357,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 31 May 2023

**4. Revenue**

	31.05.23 £'000	31.05.22 £'000
Non-taxable dividends	111,021	137,363
Bank interest	856	–
Total revenue	<u>111,877</u>	<u>137,363</u>

**5. Expenses**

	31.05.23 £'000	31.05.22 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	26,491	33,539
Accounting fees	1,457	1,593
Legal and professional fees	9	10
Typesetting costs	4	4
Registration fees	458	487
	28,419	35,633
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	290	328
Safe custody and other bank charges	162	192
	452	520
Other expenses:		
Audit fees	11	11
Total expenses	<u>28,882</u>	<u>36,164</u>

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

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 31 May 2023

**6. Taxation**

	31.05.23 £'000	31.05.22 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	1,729	1,773
Current tax charge	1,729	1,773
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	1,729	1,773

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.22: 20%). The difference is explained below:

	31.05.23 £'000	31.05.22 £'000
Net revenue before taxation	82,994	101,198
Corporation tax at 20%	16,599	20,240
Effects of:		
Non-taxable dividends	(22,204)	(27,473)
Unutilised excess management expenses	5,605	7,233
Corporation tax charge	–	–
Overseas tax	1,729	1,773
Total tax charge (note 6a)	1,729	1,773

c) Deferred tax

At the year end there is a potential deferred tax asset of £53,919,000 (31.05.22: £48,314,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

**7. Interest Payable and Similar Charges**

	31.05.23 £'000	31.05.22 £'000
Interest payable	1	1
Total interest payable and similar charges	1	1

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2023

#### 8. Distributions

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

	31.05.23 £'000	31.05.22 £'000
Interim	44,835	57,341
Final	45,171	54,519
	<u>90,006</u>	<u>111,860</u>
Add: Revenue deducted on redemption of shares	6,372	6,114
Deduct: Revenue received on issue of shares	(673)	(424)
Net distributions for the year	<u>95,705</u>	<u>117,550</u>

Details of the distributions per share are set out in the table on pages 42 and 43.

	31.05.23 £'000	31.05.22 £'000
Distributions represented by:		
Net revenue after taxation	81,265	99,425
Allocations to capital:		
Expenses	14,441	18,082
Equalisation on conversions <sup>1</sup>	(1)	43
Net distributions for the year	<u>95,705</u>	<u>117,550</u>

#### 9. Debtors

	31.05.23 £'000	31.05.22 £'000
Amounts receivable for issue of shares	313	412
Sales awaiting settlement	25,212	850

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

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 31 May 2023

	31.05.23 £'000	31.05.22 £'000
Accrued revenue:		
Non-taxable dividends	11,886	15,734
Taxation recoverable:		
Overseas withholding tax	196	158
Total debtors	<u>37,607</u>	<u>17,154</u>

**10. Cash and Cash Equivalents**

	31.05.23 £'000	31.05.22 £'000
Bank balances	44,642	90,806
Total cash and cash equivalents	<u>44,642</u>	<u>90,806</u>

**11. Creditors**

	31.05.23 £'000	31.05.22 £'000
Distribution payable	<u>12,481</u>	<u>14,777</u>
<b>Other Creditors</b>		
Amounts payable for redemption of shares	12,011	7,766
Purchases awaiting settlement	10,529	489
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	2,194	2,393
Accounting fees	122	253
Legal and professional fees	1	1
Typesetting costs	2	2
Registration fees	39	40
	<u>2,358</u>	<u>2,689</u>

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 31 May 2023

	31.05.23 £'000	31.05.22 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	37	38
Transaction charges	2	3
Safe custody and other bank charges	27	30
	66	71
Other expenses	12	10
Total other creditors	<u>24,976</u>	<u>11,025</u>

**12. Related Party Transactions**

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 27 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held nil (31.05.22: 2,227,000) of the Fund's shares at the balance sheet date.

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

Hargreaves Lansdown Nominees Limited 26.70% (31.05.22: 23.07%)

**13. Contingent Liabilities and Commitments**

There are no contingent liabilities or unrecorded outstanding commitments (31.05.22: none).

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2023

#### 14. Shares in Issue

	Income	Accumulation	'D' Income	'D' Accumulation
Annual Management Charge	0.60%	0.60%	0.45%	0.45%
Opening shares in issue	294,886,940	577,760,473	245,246,177	485,460,892
Issues	10,442,088	13,649,459	5,551,061	8,279,418
Redemptions	(55,419,423)	(114,972,484)	(51,524,527)	(139,322,180)
Conversions	293,447	441,726	(171,085)	(1,416,195)
Closing shares in issue	<u>250,203,052</u>	<u>476,879,174</u>	<u>199,101,626</u>	<u>353,001,935</u>

#### 15. Risk Management Policies

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

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

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

##### (A) CREDIT RISK

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

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

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2023

#### (B) INTEREST RATE RISK

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

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

#### (C) FOREIGN CURRENCY RISK

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

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

The table below shows the direct foreign currency risk profile:

	31.05.23 £'000	31.05.22 £'000
Currency:		
Euros	471,529	535,954
US dollars	446,304	422,758
	<u>917,833</u>	<u>958,712</u>
Pounds sterling	3,489,847	4,044,264
Net assets	<u>4,407,680</u>	<u>5,002,976</u>

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £45,892,000 on the net assets of the Fund (31.05.22: £47,936,000).

#### (D) LEVERAGE

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31 May 2023, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.05.22: 0.98 and 1:1 respectively).



## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2023

#### (E) LIQUIDITY RISK

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

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

Based on this analysis 23.86% of the portfolio can be liquidated within 5 days and 65.82% within 21 working days (31.05.22: 21.70% within 5 days and 55.73% within 21 days). An in depth review is deemed necessary as the Fund is invested in a concentrated portfolio. A portfolio may be considered concentrated due to the number of stocks it holds and/or due to it being invested in stocks with a particular industry, sector or geographical focus.

Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

#### (F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £218,144,000 (31.05.22: £246,041,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 31 May 2023

**16. Portfolio Transaction Costs**

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.05.23</b>				
Ordinary shares	327,055	128	898	328,081
Purchases total	327,055	128	898	328,081
<i>Transaction cost % of purchases total</i>		0.04%	0.27%	
<i>Transaction cost % of average NAV</i>		-	0.02%	
Ordinary shares	1,219,937	(424)	(2)	1,219,511
Sales total	1,219,937	(424)	(2)	1,219,511
<i>Transaction cost % of sales total</i>		0.03%	-	
<i>Transaction cost % of average NAV</i>		0.01%	-	

Average portfolio dealing spread at 31.05.23 is 0.05% (31.05.22: 0.11%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.05.22</b>				
Ordinary shares	1,043,188	426	2,688	1,046,302
Purchases total	1,043,188	426	2,688	1,046,302
<i>Transaction cost % of purchases total</i>		0.04%	0.26%	
<i>Transaction cost % of average NAV</i>		0.01%	0.04%	
Ordinary shares	2,097,566	(766)	(3)	2,096,797
Sales total	2,097,566	(766)	(3)	2,096,797
<i>Transaction cost % of sales total</i>		0.04%	-	
<i>Transaction cost % of average NAV</i>		0.01%	-	

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 31 May 2023

**17. Fair Value Hierarchy**

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

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

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

**Level 3:** Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

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

## FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE

for the year ended 31 May 2023 – in pence per share

#### EQUALISATION

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

Group 2	Interim	Final
From	01.06.22	01.12.22
To	30.11.22	31.05.23

#### INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31.01.23	Paid 31.01.22
Group 1	3.2026	–	3.2026	3.2886
Group 2	1.3098	1.8928	3.2026	3.2886

Final	Net Revenue	Equalisation	Payable 30.09.23	Paid 30.09.22
Group 1	3.5168	–	3.5168	3.4893
Group 2	2.0123	1.5045	3.5168	3.4893

#### ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31.01.23	Allocated 31.01.22
Group 1	4.7025	–	4.7025	4.7314
Group 2	1.9332	2.7693	4.7025	4.7314

Final	Net Revenue	Equalisation	Allocation 30.09.23	Allocated 30.09.22
Group 1	5.2111	–	5.2111	5.0682
Group 2	3.0136	2.1975	5.2111	5.0682

**FINANCIAL STATEMENTS** *continued*

**DISTRIBUTION TABLE** *continued*

**‘D’ INCOME SHARES**

<b>Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Paid 31.01.23</b>	<b>Paid 31.01.22</b>
Group 1	1.6842	–	1.6842	1.7325
Group 2	0.5656	1.1186	1.6842	1.7325
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Payable 30.09.23</b>	<b>Paid 30.09.22</b>
Group 1	1.8490	–	1.8490	1.8300
Group 2	0.9486	0.9004	1.8490	1.8300

**‘D’ ACCUMULATION SHARES**

<b>Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 31.01.23</b>	<b>Allocated 31.01.22</b>
Group 1	2.0043	–	2.0043	2.0183
Group 2	1.0780	0.9263	2.0043	2.0183
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 30.09.23</b>	<b>Allocated 30.09.22</b>
Group 1	2.2207	–	2.2207	2.1546
Group 2	1.0441	1.1766	2.2207	2.1546

## GENERAL INFORMATION

### Share Capital

The minimum share capital of the Fund is £1 and the maximum share capital is £100,000,000,000.

### Classes of Shares

Different classes of shares can be issued in respect of the Fund.

The Instrument of Incorporation allows income and accumulation shares to be issued.

Holders of income shares are entitled to be paid the distributable income attributed to such shares on any relevant interim and annual allocation dates.

Holders of accumulation shares are not entitled to be paid the income attributed to such shares, but that income is automatically transferred to (and retained as part of) the capital assets of the Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation share.

### Valuation Point

The current valuation point of the Fund is 10.00am (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

### Buying and Selling Shares

The ACD will accept orders to buy or sell shares on normal business days between 8.30am and 5.30pm (London time) and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be either in writing to: PO Box 389, Darlington DL1 9UF or by telephone on 0345 608 1457.

### Prices

The prices of all shares are published on every dealing day on the ACD's website: [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk) and [www.lindselltrain.com](http://www.lindselltrain.com). The prices of shares may also be obtained by calling 0345 608 1457 during the ACD's normal business hours.

### Other Information

The Instrument of Incorporation, Prospectus, Key Investor Information Documents and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office. Copies of these may be obtained upon application and, excepting the Instrument of Incorporation, can be found on the ACD's website, [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk).

Shareholders who have any complaints about the operation of the Fund should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

## GENERAL INFORMATION *continued*

### Data Protection Act

Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties to inform investors of other products by sending details of such products. Shareholders who do not want to receive such details should write to the ACD requesting their removal from any such mailing list.

# LINKGroup

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