

LF Odey Funds

LF Brook Absolute Return Fund

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



Please note that the distribution of LF Brook Absolute Return Fund, a sub-fund of LF Odey Funds, is restricted exclusively to qualified investors in accordance with art. 10 para. 3 of the Swiss Collective Investment Schemes Act.

AUTHORISED CORPORATE DIRECTOR ('ACD')

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(Authorised and regulated by
the Financial Conduct Authority)

DIRECTORS OF THE ACD

C. Addenbrooke (retired 2 February 2022)
N. Boyling
B. Hammond
K.J. Midl
A.G. Reid
A.J. Stuart
E.E. Tracey

INVESTMENT MANAGER

ODEY ASSET MANAGEMENT LLP (ALSO TRADING AS BROOK ASSET MANAGEMENT)

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London W1K 7PU
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DEPOSITARY

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

250 Bishopsgate
London EC2M 4AA
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REGISTRAR

LINK FUND ADMINISTRATORS LIMITED

Customer Service Centre:
Central Square
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INDEPENDENT AUDITOR

ERNST & YOUNG LLP

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144 Morrison Street
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ACD'S REPORT

for the year ended 31 December 2022

Authorised Status

LF Odey Funds ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC000742 and authorised by the Financial Conduct Authority ('FCA') with effect from 7 May 2009. The Company has an unlimited duration.

It is a UK UCITS and the base currency of the Company and the sub-fund is pounds sterling.

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

ACD's Statement

Economic Uncertainty

The outbreak of COVID-19 in March 2020 caused significant disruption to business and economic activity, which was reflected in the fluctuations seen in the global stock markets for an extended period. However, after various national governments provided financial support and stimulus to their economies, combined with the development of effective vaccines to immunise populations, society and businesses are learning to operate in the post COVID-19 world which led to a recovery in asset prices.

In the first quarter of 2022, the geopolitical situation came into sharp focus, culminating in February 2022 with Russia's incursion into Ukraine, a position which continues to evolve. The consequences of this, combined with other factors, led to significant disruption to the global supply chains and soaring energy and commodity prices, leading to a significant increase in inflation in many countries. To curb the increase in global inflation, many nations' central banks have been increasing interest rates, a process which is expected to continue until inflation is brought under control. What is not clear at this time is whether the combination of high inflation and increasing interest rates will culminate in a global recession. With this level of uncertainty, it is reasonably foreseeable, that markets may see further periods of instability and consequently volatility in asset pricing.

Remuneration Policy

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

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 Alternative Investment Funds ('AIFs').

ACD'S REPORT *continued***Remuneration Policy** *continued*

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 Company itself.

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 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 Company was valued at £503 million as at that date and represented 0.61% of LFSL's total AuM and 1.33% of its UK UCITS AuM.

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

ACD'S REPORT *continued*

Remuneration Policy *continued*

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

Value Assessment

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

LINK FUND SOLUTIONS LIMITED

ACD of LF Odey Funds

27 April 2023

DIRECTOR'S STATEMENT

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

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Odey Funds

27 April 2023

STATEMENT OF ACD'S RESPONSIBILITIES

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

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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

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

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

The Depositary must ensure that:

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

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

REPORT OF THE DEPOSITARY

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

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

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

Depositary of LF Odey Funds

27 April 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF ODEY FUNDS

Opinion

We have audited the financial statements of LF Odey Funds ('the Company') for the year ended 31 December 2022, 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 for the Company's sub-fund, and the accounting and distribution policies of the Company set out on pages 35 to 39, 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 Company comprising its sub-fund as at 31 December 2022 and of the net expense and the net capital gains on the scheme property of the Company comprising its sub-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 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 ('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 Company, 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 Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF ODEY FUNDS *continued*

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 Company's ability to continue as a going concern.

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 Instrument of Incorporation; 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 ODEY FUNDS *continued*

Responsibilities of ACD

As explained more fully in the ACDs responsibilities statement set out on page 6, 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 wind up or terminate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF ODEY FUNDS *continued*

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence net asset value, revenue and amounts available for distribution. We identified two fraud risks with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution, and the incorrect valuation of unlisted investments. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return. In relation to unlisted investments, we reviewed and challenged management's assessment of the data inputs and assumptions used; we agreed the data inputs to available data sources; and recalculated for arithmetical accuracy.
- 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 Company.
- Due to the regulated nature of the Company, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF ODEY FUNDS *continued*

Use of Our Report

This report is made solely to the Company'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 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.

ERNST & YOUNG LLP

Statutory Auditor

Edinburgh

27 April 2023

LF BROOK ABSOLUTE RETURN FUND ACD'S REPORT

for the year ended 31 December 2022

Investment Objective and Policy

The investment objective of the LF Brook Absolute Return Fund ('the Fund') is to achieve a positive absolute return over a 12 month period independent of market conditions. Capital is at risk and there is no guarantee that a positive return will be delivered over any one or a number of 12 month periods.

The Fund will seek to achieve its investment objective by investing in or taking exposures (using both long and synthetic short positions) to a range of asset classes worldwide. The Fund may therefore invest in any, or all, of the following: equities and equity related securities (including OTC derivatives), fixed and/or floating rate debt securities issued by governments and/or corporate entities, closed ended funds, collective investment schemes, derivatives, forward foreign exchange contracts, currencies and cash and cash equivalents.

The proportion of the property of the Fund which may be held in the asset classes set out above, including cash or near cash, will vary from time to time according to the Investment Manager's view of market conditions.

The Fund may also invest up to 10% of its net asset value to gain commodity exposure through transferable securities such as exchange traded commodities and other permitted investments.

Benchmark

The Fund's comparator benchmark is the MSCI Daily Net Total Return World USD (converted into GBP) Index.

The Fund's performance may be compared against the MSCI Daily Net Total Return World USD (converted into GBP) Index. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. The comparator benchmark has been selected as we consider it assists in evaluating the Fund's performance against Global equity returns. The Fund is not constrained by the benchmark and may take positions that differ significantly from the benchmark.

LINK FUND SOLUTIONS LIMITED

ACD of LF Brook Absolute Return Fund
27 April 2023

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2022

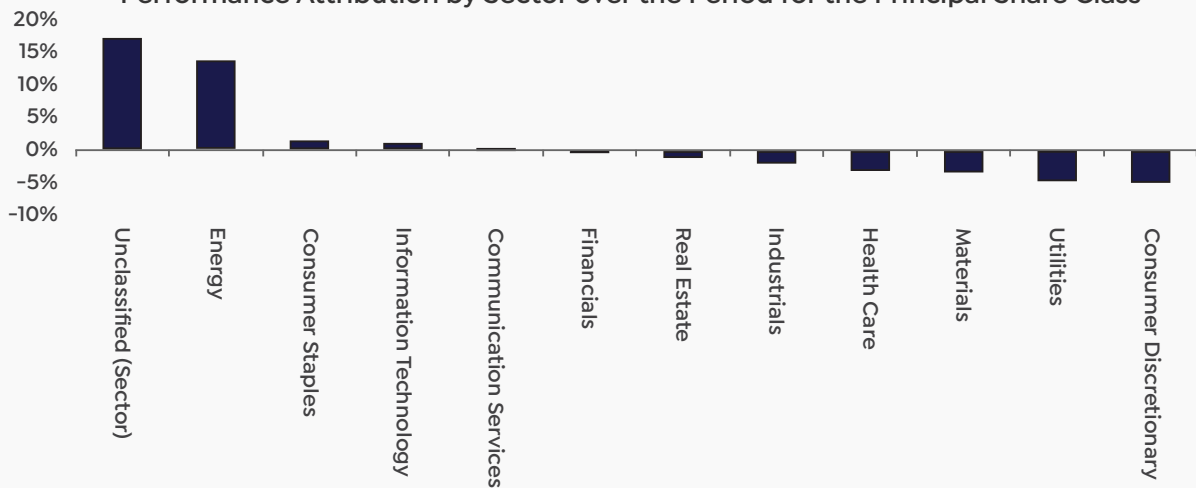
Summary

From 1 January 2022 to 31 December 2022 ('the period'), the Fund returned +10.69% (based on the principal share class – Sterling Institutional Accumulation class) against the MSCI Daily Net Total Return World USD (converted into GBP) Index return of -7.83%.

Positive returns over the period came from Index Hedges (+7.61%) along with the Energy (+13.59%) and Consumer Staples (+1.23%) sectors, and from a country perspective the US (+35.92%) and Israel (+3.32%). These were offset by negative returns from the Consumer Discretionary (-4.94%) and Utilities (-4.66%) sectors, with the UK (-18.10%) and Russia (-16.27%) being the largest detractors by country.

Positive performance came from holdings including ARK Innovation short (+8.44%), NASDAQ 100 E-Mini short (+4.12%) and Noble long (+3.39%), whereas Sberbank long (-5.61%), Oxford Nanopore Technologies long (-3.57%) and Inter Rao long (-3.44%) disappointed.

Performance Attribution by Sector over the Period for the Principal Share Class

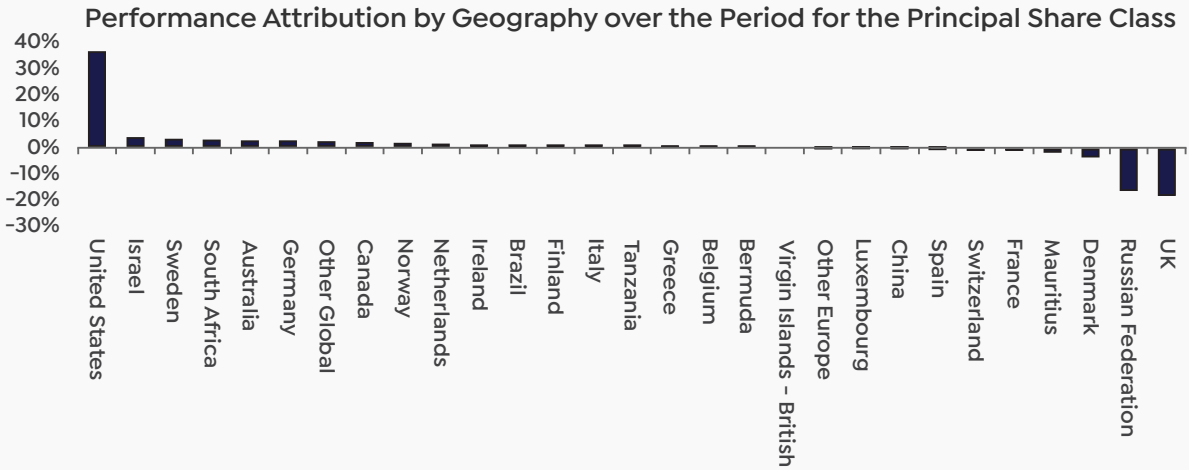


Source: Brook Internal Unaudited Data.

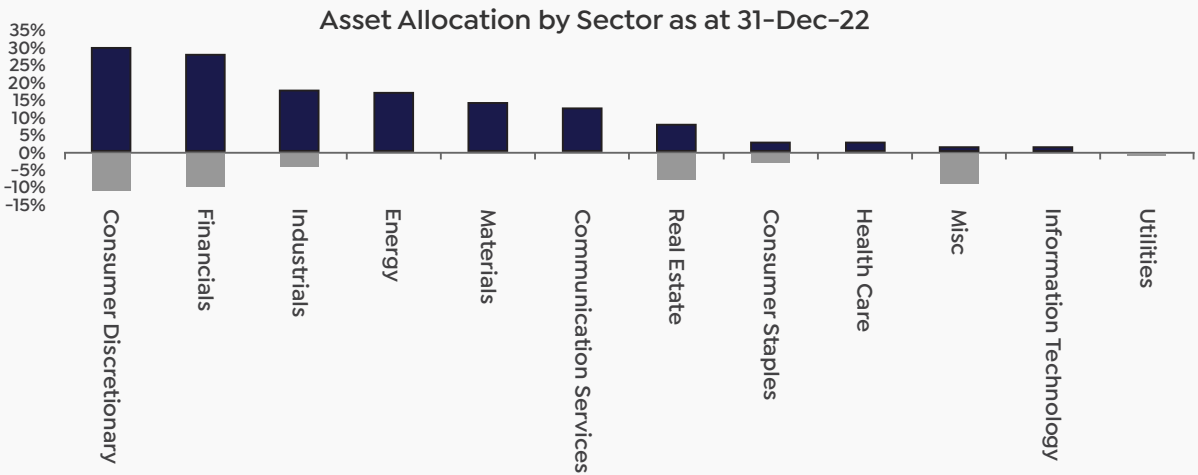
LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*



Source: Brook Internal Unaudited Data.



Source: Brook Internal Unaudited Data.

ODEY ASSET MANAGEMENT LLP

Investment Manager

27 January 2023

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

FUND INFORMATION

Risk and Reward Profile



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

The Fund has been classed as 7 because its volatility has been measured as 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. Investors may not get back the amount originally invested and may lose money. There is no assurance that the objective of the Fund will be achieved.

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

Euro Share Class Currency Risk: The Fund invests in global assets and is subject to currency movements. This euro class is also hedged against sterling, the Fund's base currency. Mismatches in hedging may occur. Either may impact on the value of your investment.

US Dollar Share Class Currency Risk: The Fund invests in global assets and is subject to currency movements. This US\$ class is also hedged against sterling, the Fund's base currency. Mismatches in hedging may occur. Either may impact on the value of your investment.

Counterparty and Derivatives Risks: As the Fund may enter into derivative agreements, there is a risk that other parties may fail to meet their obligations leading to delays in receiving amounts due or less than is due. The use of derivatives may cause the Fund's exposure to be greater than its net asset value. A small movement may have a much larger impact than if only the underlying investments were held.

The value of fixed interest securities is affected by trends in interest rates, inflation and their credit ratings.

Liquidity Risk: At times, some shares may trade infrequently which means it may be more difficult for the Fund to buy and sell them. Prices may also be subject to short term swings.

Concentrated Fund: The Fund may hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value.

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.

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

STERLING RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	438.87	394.70	306.78
Return before operating charges*	56.50	60.24	113.32
Operating charges	(6.73)	(6.60)	(4.73)
Performance fee	(11.14)	(9.47)	(20.67)
Return after operating charges	38.63	44.17	87.92
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	477.50	438.87	394.70
* after direct transaction costs of:	0.83	0.43	0.58

PERFORMANCE

Return after charges	8.80%	11.19%	28.66%
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OTHER INFORMATION

Closing net asset value (£'000)	12,502	13,598	14,392
Closing number of shares	2,618,191	3,098,391	3,646,341
Operating charges	1.54%	1.56%	1.56%
Performance fee ¹	2.55%	2.24%	6.82%
Direct transaction costs	0.19%	0.10%	0.19%

PRICES

Highest share price	495.95	472.30	416.80
Lowest share price	381.31	336.69	201.59

¹ The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

STERLING INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	464.31	415.12	324.04
Return before operating charges*	60.80	64.18	117.63
Operating charges	(4.82)	(4.73)	(3.39)
Performance fee	(12.24)	(10.26)	(23.16)
Return after operating charges	43.74	49.19	91.08
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	508.05	464.31	415.12
* after direct transaction costs of:	0.88	0.46	0.61

PERFORMANCE

Return after charges	9.42%	11.85%	28.11%
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OTHER INFORMATION

Closing net asset value (£'000)	435,687	387,887	302,935
Closing number of shares	85,757,439	83,539,585	72,974,938
Operating charges	1.04%	1.06%	1.06%
Performance fee ¹	2.64%	2.30%	7.23%
Direct transaction costs	0.19%	0.10%	0.19%

PRICES

Highest share price	525.03	498.13	437.65
Lowest share price	403.70	354.27	213.17

¹ The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

STERLING MANAGEMENT ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	501.23	440.48	321.49
Return before operating charges*	64.27	65.84	122.40
Operating charges	(5.23)	(5.09)	(3.41)
Return after operating charges	59.04	60.75	118.99
Distributions	(5.26)	(3.60)	-
Retained distributions on accumulation shares	5.26	3.60	-
Closing net asset value per share	560.27	501.23	440.48
* after direct transaction costs of:	0.96	0.49	0.62

PERFORMANCE

Return after charges	11.78%	13.79%	37.01%
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OTHER INFORMATION

Closing net asset value (£'000)	39,325	35,709	33,789
Closing number of shares	7,018,970	7,124,192	7,670,948
Operating charges	1.04%	1.06%	1.06%
Direct transaction costs	0.19%	0.10%	0.19%

PRICES

Highest share price	584.80	550.45	472.07
Lowest share price	434.89	375.84	211.49

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

EURO HEDGED INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 € per share	31.12.21 € per share	31.12.20 € per share
Opening net asset value per share	2.6066	2.2958	1.7626
Return before operating charges*	0.2894	0.4099	0.6591
Operating charges	(0.0269)	(0.0259)	(0.0185)
Performance fee	(0.0618)	(0.0732)	(0.1074)
Return after operating charges	0.2007	0.3108	0.5332
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	2.8073	2.6066	2.2958
* after direct transaction costs of:	0.4900	0.0026	0.0034

PERFORMANCE

Return after charges	7.70%	13.54%	30.25%
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OTHER INFORMATION

Closing net asset value (€'000)	78,254	76,091	182,084
Closing number of shares	31,418,052	34,768,470	88,606,846
Operating charges	1.04%	1.04%	1.06%
Performance fee ¹	2.39%	2.94%	6.14%
Direct transaction costs	0.19%	0.10%	0.19%

PRICES

Highest share price	2.9444	2.7180	2.4235
Lowest share price	2.2635	1.9588	1.1625

¹ The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

US DOLLAR HEDGED INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 US\$ per share	31.12.21 US\$ per share	31.12.20 US\$ per share
Opening net asset value per share	2.5640	2.2894	1.7843
Return before operating charges*	0.3568	0.3549	0.6630
Operating charges	(0.0267)	(0.0261)	(0.0188)
Performance fee	(0.0749)	(0.0542)	(0.1391)
Return after operating charges	0.2552	0.2746	0.5051
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	2.8192	2.5640	2.2894
* after direct transaction costs of:	0.4900	0.0025	0.0034

PERFORMANCE

Return after charges	9.95%	11.99%	28.31%
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OTHER INFORMATION

Closing net asset value (£'000)	14,705	11,500	4,767
Closing number of shares	6,273,945	6,074,709	2,846,206
Operating charges	1.04%	1.06%	1.06%
Performance fee ¹	2.92%	2.20%	7.83%
Direct transaction costs	0.19%	0.10%	0.19%

PRICES

Highest share price	2.8960	2.7546	2.3966
Lowest share price	2.2369	1.9546	1.1862

¹ The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 December 2022 (%)

	1 year	3 years	5 years
LF Brook Absolute Return Fund	10.69	57.09	81.20
MSCI Daily Net Total Return World USD (converted into GBP) Index ¹	(7.83)	27.28	51.48

¹ Source: Morningstar Direct.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on page 55.

RISK WARNING

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

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 December 2022

Holding	Portfolio of Investments	Market Value £'000	31.12.22 %
	DEBT SECURITIES – 7.46% (31.12.21 – 0.33%)		
£2,900,000	Cornwall 0.75% 16/4/2026	1,678	0.29
US\$4,690,000	Tullow 7% 1/3/2025	2,353	0.41
£11,000,000	UK Treasury 0% 9/1/2023	10,991	1.89
£8,000,000	UK Treasury 0% 6/3/2023	7,954	1.37
£12,600,000	UK Treasury 0% 2/5/2023	12,441	2.14
£8,000,000	UK Treasury 0% 15/5/2023	7,890	1.36
	TOTAL DEBT SECURITIES	43,307	7.46
	EQUITIES – 82.90% (31.12.21 – 88.79%)		
	UNITED KINGDOM – 46.36% (31.12.21 – 52.18%)		
33,450,000	AO World	17,394	3.00
4,820,000	Bango ¹	8,676	1.49
12,450,000	Barclays	19,736	3.40
2,175,000	BP	10,329	1.78
2,002,678	Flexion Mobile	2,053	0.35
255,918	Forterra	477	0.08
6,700,014	Frasers	47,570	8.20
1,930,000	Glencore	10,661	1.84
1	Hirco ²	–	–
9,137,927	IP	5,094	0.88
27,866,875	IWG	46,148	7.95
4,800,000	Jet2 ¹	46,003	7.92
77,010	Odey European Focus Absolute Return ^{3,4}	11,418	1.97
6,639,789	Oxford Nanopore Technologies	16,367	2.82
1,943,426	Playtech	9,873	1.70
8,200,000	Restaurant	2,560	0.44
93,775,000	Shanta Gold ¹	8,440	1.45
4,600,000	SIG	1,362	0.23
1,120,000	Wetherspoon (JD)	4,973	0.86
	TOTAL UNITED KINGDOM	269,134	46.36
	AUSTRALIA – 0.33% (31.12.21 – 0.00%)		
1,140,000	Stanmore Resources	1,896	0.33

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Market Value £'000	31.12.22 %
	BERMUDA – 3.66% (31.12.21 – 3.42%)		
5,000,000	Conduit	21,250	3.66
	CHINA – 3.61% (31.12.21 – 0.00%)		
2,280,000	Alibaba	20,946	3.61
	FRANCE – 9.01% (31.12.21 – 2.38%)		
1,110,000	Ubisoft Entertainment	26,009	4.48
3,325,000	Vivendi	26,291	4.53
	TOTAL FRANCE	52,300	9.01
	GERMANY – 4.80% (31.12.21 – 0.00%)		
838,000	Commerz Bank	6,552	1.13
2,260,000	Deutsche Bank	21,278	3.67
	TOTAL GERMANY	27,830	4.80
	GREECE – 0.00% (31.12.21 – 2.52%)	–	–
	GIBRALTAR – 0.54% (31.12.21 – 0.75%)		
3,631,067	888	3,154	0.54
	IRELAND – 1.23% (31.12.21 – 0.00%)		
115,000	Ryanair ADR	7,144	1.23
	ISRAEL – 8.56% (31.12.21 – 8.39%)		
2,755,000	Plus500	49,700	8.56
	ITALY – 0.48% (31.12.21 – 0.00%)		
2,735,000	Saras Spa	2,784	0.48
	NORWAY – 0.00% (31.12.21 – 3.02%)	–	–

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.22 %
	RUSSIA – 0.00% (31.12.21 – 8.80%)			
470,000,000	Inter RAO ⁵		–	–
22,115,000	RUSAL ⁵		–	–
12,900,000	Sberbank of Russia ADR ²		–	–
460,000	TCS GDR ²		–	–
	TOTAL RUSSIA		–	–
	SOUTH AFRICA – 0.00% (31.12.21 – 1.16%)		–	–
	UNITED STATES – 4.32% (31.12.21 – 6.17%)			
1,525	Jumo World ⁵		137	0.02
444,000	Valaris		24,963	4.30
	TOTAL UNITED STATES		25,100	4.32
	TOTAL EQUITIES		481,238	82.90
	CONTRACTS FOR DIFFERENCE (LONG) – (0.21)% (31.12.21 – 2.51%)			
	UNITED KINGDOM – (0.64)% (31.12.21 – 1.25%)			
23,274,649	AO World	12,103	(1,323)	(0.23)
151,000	Berkeley Group	5,697	(67)	(0.01)
1,150,000	BP	5,461	138	0.02
16,100,000	Breedon	9,821	45	0.01
17,650,000	BT Group	19,777	(299)	(0.05)
1,300,000	EasyJet	4,220	(777)	(0.13)
2,131	Flexion Mobile	2	–	–
4,050,000	Foeterra	7,557	(145)	(0.02)
2,150,000	Glencore	11,877	190	0.03
4,175,000	Hays	4,830	(51)	(0.01)
1,783,075	Hirco ²	–	(54)	(0.01)
6,275,830	IBS Stock	9,702	(95)	(0.02)
10,750,000	JD Sports	13,561	332	0.06
8,532,919	National Express	11,093	(1,724)	(0.30)
7,700,000	NatWest Group	20,420	75	0.01
205,000	Next	11,898	(104)	(0.02)
3,420,000	Page	15,766	37	0.01

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.22 %
660,000	Persimmon	8,032	(446)	(0.08)
3,046,811	Provident Financial	5,826	56	0.01
10,500,000	Restaurant	3,278	320	0.06
51,011	Shanta Gold	5	-	-
882,000	Shell	20,515	312	0.05
12,780,000	SIG	3,783	(65)	(0.01)
605,000	SThree	2,432	26	0.01
750,000	Travis Perkins	6,671	(446)	(0.08)
1,832,000	Vistry	11,441	250	0.04
70,000	Wetherspoon (JD)	311	7	-
1,477,623	Wickes	2,162	114	0.02
	TOTAL UNITED KINGDOM	228,241	(3,694)	(0.64)
	BERMUDA – 0.05% (31.12.21 – (0.04)%)			
3,860	Conduit	16	1	-
785,000	Hiscox	8,553	298	0.05
	TOTAL BERMUDA	8,569	299	0.05
	BRAZIL – 0.15% – (31.12.21 – 0.34%)			
2,235,000	SLC Agricola	16,595	853	0.15
	CANADA – 0.00% – (31.12.21 – 0.10%)	-	-	-
	DENMARK – 0.00% (31.12.2021 – 0.16%)	-	-	-
	FRANCE – 0.07% – (31.12.21 – 0.06%)			
195,000	TotalEnergies	10,147	398	0.07
	GERMANY – 0.00% (31.12.21 – 0.11%)	-	-	-
	ISRAEL – 0.00% (31.12.21 – 0.06%)	-	-	-
	ITALY – 0.03% (31.12.21 – 0.22%)			
319,584	Banca IFIS	3,774	149	0.03

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.22 %
	LUXEMBOURG – (0.22)% (31.12.21 – 0.24%)			
1,000,000	ArcelorMittal	21,799	(1,253)	(0.22)
	RUSSIA – 0.00% (31.12.21 – 0.01%)			
934,008	Inter RAO ⁵	-	-	-
846,076	RUSAL ⁵	-	-	-
2,905,400	RUSAL 'HKD'	1,229	5	-
	TOTAL RUSSIA	1,229	5	-
	UNITED STATES – 0.35% (31.12.21 – 0.00%)			
758,000	Noble Corp	23,763	2,051	0.35
	TOTAL CONTRACTS FOR DIFFERENCE (LONG)	314,117	(1,192)	(0.21)
	CONTRACTS FOR DIFFERENCE (SHORT) – 3.60% (31.12.21 – 0.69%)			
	UNITED KINGDOM – 0.26% (31.12.21 – 0.29%)			
(2,475,000)	Ashmore	(5,925)	(491)	(0.08)
(463,000)	Diageo	(16,900)	460	0.08
(770,000)	Intermediate Capital	(8,840)	243	0.04
(1,434,401)	Scottish Mortgage Investment Trust	(10,368)	552	0.09
(1,855,000)	Segro	(14,161)	756	0.13
	TOTAL UNITED KINGDOM	(56,194)	1,520	0.26
	AUSTRALIA – 0.00% (31.12.21 – 0.05%)			
	CANADA – 0.10% (31.12.21 – 0.14%)			
(1,161,000)	Ballard Power Systems	(4,614)	598	0.10
	FRANCE – 0.00% (31.12.21 – (0.03)%)			
	GERMANY – 0.00% (31.12.21 – 0.31%)			

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.22 %
	ITALY – 0.13% (31.12.21 – 0.00%)			
(88,000)	Ferrari	(15,631)	733	0.13
(278,000)	Warehouse De pau	(6,586)	25	0.00
	TOTAL ITALY	(22,217)	758	0.13
	NORWAY – 0.08% (31.12.21 – 0.28%)			
(6,001,000)	Nel	(7,017)	476	0.08
	SPAIN – (0.02)% (31.12.21 – (0.17)%)			
(328,000)	Solaria	(4,981)	(94)	(0.02)
	SWEDEN – 0.37% (31.12.21 – 0.22%)			
(1,170,000)	EQT	(20,621)	2,127	0.37
	SWITZERLAND – 0.27% (31.12.21 – 0.01%)			
(29,700)	Partners	(21,787)	1,547	0.27
	UNITED STATES – 2.41% (31.12.21 – (0.41)%)			
(340,000)	GXO	(12,061)	222	0.04
(955,000)	JPODNOAH	(13,211)	1,497	0.26
(153,000)	Lamar Advertising	(12,002)	76	0.01
(84,000)	Lulumelon Athletica	(22,373)	468	0.08
(139,000)	Prologis	(13,031)	440	0.08
(410,000)	Rivian	(6,278)	3,042	0.52
(187,000)	Telsa	(19,159)	8,237	1.42
	TOTAL UNITED STATES	(98,115)	13,982	2.41
	TOTAL CONTRACTS FOR DIFFERENCE (SHORT)	(235,546)	20,914	3.60
	FUTURES – 0.21% (31.12.21 – (0.10)%)			
(48)	DAX Index Mar 23		507	0.09
(421)	Euro Stoxx 50 Mar 23		669	0.12
	TOTAL FUTURES		1,176	0.21

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Market Value £'000	31.12.22 %
	FORWARD CURRENCY CONTRACTS		
	– (0.17)% (31.12.21 – 0.42%)		
£(1,068,118)	Vs CHF1,209,336 (expiry 31/1/2023) ⁶	21	–
US\$(66,774,558)	Vs £54,782,913 (expiry 31/1/2023) ⁶	(685)	(0.12)
SEK(29,590,000)	Vs £2,344,707 (expiry 31/1/2023) ⁶	(18)	–
HKD(206,247,295)	Vs £21,690,939 (expiry 31/1/2023) ⁶	(272)	(0.05)
CHF(1,209,000)	Vs £1,081,927 (expiry 31/1/2023) ⁶	(7)	–
	TOTAL FORWARD CURRENCY CONTRACTS	<u>(961)</u>	<u>(0.17)</u>
	SHARE CLASS HEDGING FORWARD CURRENCY CONTRACTS – 0.17% (31.12.21 – (0.20)%)		
£(79,197,597)	Vs €90,121,724 (expiry 31/1/2023) ⁶	855	0.15
£(606,903)	Vs €689,504 (expiry 3/1/2023) ⁶	5	–
£(96,821)	Vs €109,269 (expiry 6/1/2023) ⁶	–	–
€(896,628)	Vs £790,161 (expiry 31/1/2023) ⁶	(6)	–
€(75,000)	Vs £66,311 (expiry 5/1/2023) ⁶	–	–
£(14,759,101)	Vs US\$17,885,269 (expiry 31/1/2023) ⁶	97	0.02
	TOTAL SHARE CLASS HEDGING FORWARD CURRENCY CONTRACTS	<u>951</u>	<u>0.17</u>

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.22 %
	Portfolio of investments ⁷		545,433	93.96
	Net other assets		35,040	6.04
	Net assets		580,473	100.00

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

¹ Quoted on the Alternative Investment Market (AIM).

² Delisted security.

³ Collective investment scheme.

⁴ Related party holding (note 12).

⁵ Unlisted security.

⁶ Counterparty: BNY Mellon.

⁷ Includes investment liabilities.

Definitions:

ADR – American Depositary Receipts.

GDR – Global Depositary Receipts.

LF BROOK ABSOLUTE RETURN FUND

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2022

Total purchases for the year £'000 (note 16)	447,712	Total sales for the year £'000 (note 16)	311,193
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Ubisoft	32,595	Frasers	27,835
Frasers	30,140	Moderna	22,561
Alibaba	22,250	Noble corporation	17,801
Barclays	21,341	Playtech	16,562
Moderna	20,954	CNH Industrial	15,653
IWG	20,867	Bayer	15,172
Deutsche Bank	20,153	Alpha Bank	14,558
Vivendi	18,596	Plus500	14,111
Jet2	17,184	Aker Solutions	12,276
Bayer	15,482	Basf	12,187

In addition to the above, purchases totalling £113,216,000 and sales totalling £74,280,000 were made in short term investments during the year.

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

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2022

	Notes	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Income:					
Net capital gains	3		66,400		68,112
Revenue	4	19,498		15,920	
Expenses	5	(18,218)		(16,835)	
Interest payable and similar charges	7	(7,893)		(6,018)	
Net expense before taxation		(6,613)		(6,933)	
Taxation	6	(636)		(905)	
Net expense after taxation			(7,249)		(7,838)
Total return before distributions			59,151		60,274
Distributions	8		(397)		(213)
Change in net assets attributable to shareholders from investment activities			58,754		60,061

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 December 2022

	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Opening net assets attributable to shareholders		524,785		537,967
Amounts receivable on issue of shares	91,454		112,915	
Amounts payable on redemption of shares	(94,889)		(186,414)	
		(3,435)		(73,499)
Change in net assets attributable to shareholders from investment activities		58,754		60,061
Retained distributions on Accumulation shares		369		256
Closing net assets attributable to shareholders		580,473		524,785

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 December 2022

	Notes	31.12.22 £'000	31.12.21 £'000
ASSETS			
Fixed assets			
Investments		553,855	494,193
Current assets			
Debtors	9	10,888	23,078
Cash and bank balances	10	39,252	33,066
Total assets		<u>603,995</u>	<u>550,337</u>
LIABILITIES			
Investment liabilities			
		(8,422)	(9,098)
Creditors			
Bank overdraft	10	-	(2,899)
Other creditors	11	(15,100)	(13,555)
Total liabilities		<u>(23,522)</u>	<u>(25,552)</u>
Net assets attributable to shareholders		<u>580,473</u>	<u>524,785</u>

LF BROOK ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

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.

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

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

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

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

Rebates of Annual Management Charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue or capital in line with the allocation of the Annual Management Charge between capital and revenue distribution policies of the underlying investments.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

Relating to contracts for difference ('CFD'), manufactured dividends received on long positions and paid on short positions are recognised when the underlying security is quoted ex-dividend. CFD securities are traded on a margin basis, interest can be charged and received on both long and short positions. Interest is calculated daily by applying the applicable interest rates to the closing value of positions. Interest is earned on any margin held with the broker.

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

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 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.

(E) TAXATION

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

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

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

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

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

(F) BASIS OF VALUATION OF INVESTMENTS

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

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

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

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

Structured products for which a price can only be obtained from the issuer are valued at the fair value per the issuer and the value is confirmed by an independent price provider by reference to the terms as defined in the term sheet of the structured product.

CFD contracts held by the Fund are valued at fair value. They are disclosed in the Portfolio Statement as fully collateralised positions, therefore, the value shown represents the market exposure of the positions held at the balance sheet date. Any gains or losses on the open positions held, or at the maturity of the contract are treated as capital.

The market value of over the counter (OTC) derivatives is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions.

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

(G) EXCHANGE RATES

The base and functional currency of the 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.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

(H) DILUTION LEVY

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

(I) DIRECT TRANSACTION COSTS

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

(J) HEDGING MECHANISM FOR HEDGE SHARE CLASSES

The Investment Manager intends to hedge between 95-105% of the value of the assets attributable to the euro and US dollar hedged share classes against GBP sterling. All profits and losses arising on the hedge are applied directly to the valuation of the euro and US dollar hedged classes on a daily basis. The hedging position is reviewed on each day where there is a valuation point and adjusted appropriately as required.

2. Distribution Policies

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

Interim distributions may be made at the ACD's discretion and the balance of revenue is distributed 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.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

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

The net capital gains during the year comprise:

	31.12.22 £'000	31.12.21 £'000
Non-derivative securities	(119,401)	39,320
Derivative contracts	178,411	36,394
Forward currency contracts	4,748	(7,736)
Transaction charges	(8)	(7)
AMC rebates from underlying investments	17	28
Currency gains	2,633	113
Net capital gains	<u>66,400</u>	<u>68,112</u>

4. Revenue

	31.12.22 £'000	31.12.21 £'000
Non-taxable dividends	6,259	6,728
Taxable dividends	–	855
Interest on debt securities	449	229
Revenue from derivative contracts	11,245	8,010
AMC rebates from underlying investments	77	70
Bank interest	292	28
Stock dividends	1,176	–
Total revenue	<u>19,498</u>	<u>15,920</u>

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

5. Expenses

	31.12.22 £'000	31.12.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	3,987	3,862
Administration fees	540	527
Legal and professional fees	4	4
Typesetting costs	4	5
Performance fees	12,729	11,450
Registration fees	152	137
	17,416	15,985
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	166	161
Safe custody and other bank charges	96	65
	262	226
Other expenses:		
Audit fees	13	16
Legal and professional fees	29	12
Portfolio monitoring fees	5	5
Other tax related services	33	21
Research costs	460	570
	540	624
Total expenses	<u>18,218</u>	<u>16,835</u>

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

LF BROOK ABSOLUTE RETURN FUND**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 December 2022

6. Taxation

	31.12.22 £'000	31.12.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	636	905
Current tax charge	636	905
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	636	905

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%) (31.12.21: 20%). The difference is explained below:

	31.12.22 £'000	31.12.21 £'000
Net expense before taxation	(6,613)	(6,933)
Corporation tax at 20%	(1,323)	(1,387)
Effects of:		
Non-taxable dividends	(1,251)	(1,346)
Prior year adjustment	8	8
AMC rebates taken to capital	3	6
Foreign tax expensed	–	(17)
Unutilised excess management expenses	2,579	2,736
Corporation tax charge	–	–
Overseas tax	636	905
Total tax charge (note 6a)	636	905

c) Deferred tax

At the year end there is a potential deferred tax asset of £71,091,000 (31.12.21: £68,512,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

7. Interest Payable and Similar Charges

	31.12.22 £'000	31.12.21 £'000
Interest payable	75	134
Interest paid on CFD contracts	4,341	2,883
Dividend payable on short dividends	3,477	3,001
Total interest payable and similar charges	<u>7,893</u>	<u>6,018</u>

8. Distributions

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

	31.12.22 £'000	31.12.21 £'000
Final	369	256
Add: Revenue deducted on redemption of shares	229	27
Deduct: Revenue received on issue of shares	(201)	(70)
Net distributions for the year	<u>397</u>	<u>213</u>

Details of the distributions per share are set out in the table on page 55.

	31.12.22 £'000	31.12.21 £'000
Distributions represented by:		
Net expense after taxation	(7,249)	(7,838)
Allocations to capital:		
Tax relief on AMC rebates taken to capital	3	5
Revenue deficit – Sterling Retail Accumulation	254	283
– Sterling Institutional Accumulation	6,154	5,361
– Euro Hedged Institutional Accumulation	968	2,300
– US Dollar Hedged Institutional Accumulation	267	102
	<u>7,646</u>	<u>8,051</u>
Net distributions for the year	<u>397</u>	<u>213</u>

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

9. Debtors

	31.12.22 £'000	31.12.21 £'000
Amounts receivable for issue of shares	1,201	74
Accrued revenue:		
Non-taxable dividends	144	–
Interest from debt securities	95	193
Revenue from derivative contracts	1,088	679
AMC rebates from underlying investments	26	30
	1,353	902
Taxation recoverable:		
Overseas withholding tax	77	102
Other debtors	–	122
Sales proceeds from swap positions awaiting settlement	–	3,967
Amounts due from brokers	8,257	17,911
Total debtors	<u>10,888</u>	<u>23,078</u>

10. Cash and Bank Balances

	31.12.22 £'000	31.12.21 £'000
Bank balances	<u>39,252</u>	<u>33,066</u>
Total cash and bank balances	<u>39,252</u>	<u>33,066</u>
Bank overdraft	<u>–</u>	<u>2,899</u>
Total bank overdraft	<u>–</u>	<u>2,899</u>

LF BROOK ABSOLUTE RETURN FUND**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 December 2022

11. Other Creditors

	31.12.22 £'000	31.12.21 £'000
Amounts payable for redemption of shares	711	665
Purchases awaiting settlement	332	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	366	325
Administration fees	49	45
Typesetting costs	2	5
Performance fees	12,729	11,450
Registration fees	13	12
	13,159	11,837
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	15	26
Transaction charges	2	1
Safe custody and other bank charges	17	16
	34	43
Other expenses	309	358
Revenue payable on CFD contracts	555	172
Amounts due to brokers	–	480
Total other creditors	<u>15,100</u>	<u>13,555</u>

12. Related Party Transactions

The Annual Management Charge, administration 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) and performance fees payable to Odey Asset Management LLP (an agent of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

The Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 33 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 2,824,166 (31.12.21: 3,783,369) of the Fund's shares at the balance sheet date.

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

Clearstream Banking	22.82% (31.12.21: 29.21%)
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As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Investment Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	31.12.22 £'000	31.12.21 £'000
Investment Manager in common	11,418	13,249

13. Contingent Liabilities and Commitments

At the time of the accounts being prepared, the Fund has made claims under the principle established in *Denkavit International BV, Denkavit France SARL v Ministre de l'Economie des Finances et de L'Industrie* and confirmed in subsequent decisions of the European Court of Justice. At present, the outcome of these claims remains uncertain and therefore potential receipt of these claims has not been recognised. We will continue to monitor progress made in the future.

There are no contingent liabilities or unrecorded outstanding commitments (31.12.21: none).

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

14. Shares in Issue

	Sterling Retail Accumulation	Sterling Institutional Accumulation	Sterling Management Accumulation
Annual Management Charge	1.25%	0.75%	0.75%
Opening shares in issue	3,098,391	83,539,585	7,124,192
Issues	68,215	12,351,506	58,285
Redemptions	(358,539)	(10,312,665)	(163,507)
Conversions	(189,876)	179,013	–
Closing shares in issue	<u>2,618,191</u>	<u>85,757,439</u>	<u>7,018,970</u>
		Euro Hedged Institutional Accumulation	US Dollar Hedged Institutional Accumulation
Annual Management Charge		0.75%	0.75%
Opening shares in issue		34,768,470	6,074,709
Issues		13,607,398	2,608,153
Redemptions		(16,957,816)	(2,408,917)
Conversions		–	–
Closing shares in issue		<u>31,418,052</u>	<u>6,273,945</u>

15. Risk Management Policies

The Fund may invest in derivatives as an alternative to, or in addition to investment in securities. These may typically include equity swaps (often referred to as contracts for differences or CFDs), futures and options from time to time although this list is not exhaustive.

Derivatives may be used for both investment purposes and for the purposes of hedging. Hedging may be carried out with the aim of reducing the risk profile of a fund in accordance with 'EPM'. Using derivatives may increase the volatility of a fund and alter the risk profile of a fund. To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to a fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

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

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

(A) CREDIT RISK

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

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

The bond investments held are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The ACD monitors the credit rating of bond holdings. Bonds in which the Fund invests are government securities which are lower risk, a non-rated security and one below investment grade bond.

There were forward currency contracts and contracts for differences held at the balance sheet date. Details of individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.12.22 Counterparty	Instrument	Notional Value £'000	Market Value £'000
JPMorgan	CFDs (Long)	314,117	(1,192)
	CFDs (Short)	(235,546)	20,914
BNY Mellon	Forward currency contracts	-	(10)

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

31.12.21 Counterparty	Instrument	Notional Value £'000	Market Value £'000
JPMorgan	CFDs (Long)	406,452	13,172
	CFDs (Short)	(304,872)	3,615
BNY Mellon	Forward currency contracts	–	1,163

At 31 December 2022, cash collateral of £5,890,000 (31.12.21: £16,219,000) was held with Morgan Stanley and £2,367,000 (31.12.21: £1,692,000) was held with BNY Mellon. These amounts are included in amounts due from brokers in note 9. As at 31 December 2022, cash collateral of £nil (31.12.21: £480,000) was pledged to Morgan Stanley. These amounts are included in the amounts due to brokers in note 11.

(B) INTEREST RATE RISK

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

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

The table below shows the direct interest rate risk profile:

	31.12.22 £'000	31.12.21 £'000
Fixed rate investments	43,307	1,734
Investments on which interest is not paid	510,548	492,459
Investment liabilities on which interest is not paid	(8,422)	(9,098)
Total investments	545,433	485,095

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

(C) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the Sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than Sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the Sterling equivalent value. Forward currency contracts are employed by the Investment Manager, where deemed appropriate, to mitigate the foreign exchange risk in Sterling terms or to take an investment position in a particular currency. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates. As the Fund's base currency is Sterling the euro Share Class and the US Dollar Share Class are hedged against Sterling. This means (subject to notes on page 38) that the performance of these share classes in their own currencies should be similar to the performance of the Sterling share class. However, these share classes will be still exposed to currency risk to the extent that the Fund in Sterling terms has foreign currency exposures either directly and/or through the use of forward contracts.

(D) 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 seven 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 7 and 30 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 69.22% of the portfolio can be liquidated within 7 days and 90.25% within 30 working days (31.12.21: 75.53% within 7 days and 92.57% within 30 days). 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.

(E) 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

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

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.

(F) DERIVATIVES

The Investment Manager has employed derivatives for the purpose of hedging and investment purposes as described in the sections above.

The ACD assesses the market risk of the Fund's investments on a daily basis, including any derivative exposure, using the Monte Carlo Value at Risk ('VaR') methodology against the regulatory limit of a monthly VaR limit of 20% (4.47% daily). A confidence interval of 99% and a time horizon of 20 days are used as standard. The window period utilised is a minimum of 4 years. This process provides the ACD with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over 20 days in all but a given percentage of circumstances (1% in this case). For example, based on 99% 20 day (monthly) VaR of 20% one would expect to see a performance over 20 days of less than -20% only in one out of a hundred trading 20 day periods. The highest and lowest 20 day (monthly) VaR were 23.62% (31.12.21: 17.04%) and 11.09% (31.12.21: 9.45%) respectively, with an average 20 day (monthly) VaR of 14.49% (31.12.21: 11.77%). The 20 day VaR of the Fund at 31 December 2022 was 11.95% (31.12.21: 11.16%). It should be noted that VaR is only an indication of risk and actual price movements may prove to be less or more volatile than expected.

A proportion of the capital may be leveraged. While leverage presents an opportunity for increasing the capital return, it has the effect of potentially increasing losses as well. Any event which adversely affects the underlying vehicles would be magnified to the extent the capital is leveraged. The gross leverage (sum of notionals basis) at 31 December 2022 was 46.26% (31.12.21: 176.77%). Please refer to the Prospectus for further details about leverage and the use of derivatives.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

16. Portfolio Transaction Costs

31.12.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	442,656	168	677	443,501
Collective investment schemes	97	–	–	97
Debt securities	4,114	–	–	4,114
Purchases total	<u>446,867</u>	<u>168</u>	<u>677</u>	<u>447,712</u>
<i>Transaction cost % of purchases total</i>		0.03%	0.12%	
<i>Transaction cost % of average NAV</i>		0.03%	0.13%	
Ordinary shares	305,957	(127)	(6)	305,824
Collective investment schemes	3,595	–	(18)	3,577
Debt securities	1,792	–	–	1,792
Sales total	<u>311,344</u>	<u>(127)</u>	<u>(24)</u>	<u>311,193</u>
<i>Transaction cost % of sales total</i>		0.03%	0.01%	
<i>Transaction cost % of average NAV</i>		0.03%	–	

Average portfolio dealing spread at 31.12.22 is 0.49% (31.12.21: 0.40%).

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

31.12.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	320,835	114	289	321,238
Collective investment schemes	98	–	–	98
Debt securities	1,692	–	–	1,692
Purchases total	<u>322,625</u>	<u>114</u>	<u>289</u>	<u>323,028</u>
<i>Transaction cost % of purchases total</i>		0.04%	0.09%	
<i>Transaction cost % of average NAV</i>		0.02%	0.06%	
Ordinary shares	423,353	(106)	(11)	423,236
Collective investment schemes	3,370	–	–	3,370
Debt securities	730	–	–	730
Sales total	<u>427,453</u>	<u>(106)</u>	<u>(11)</u>	<u>427,336</u>
<i>Transaction cost % of sales total</i>		0.02%	–	
<i>Transaction cost % of average NAV</i>		0.02%	–	

LF BROOK ABSOLUTE RETURN FUND**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 December 2022

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.12.22				
Investment assets	361,721	191,997	137	553,855
Investment liabilities	–	(8,422)	–	(8,422)
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.12.21				
Investment assets	444,698	39,764	9,731	494,193
Investment liabilities	(533)	(8,511)	(54)	(9,098)

18. Subsequent Events

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

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

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.

As at 21 April 2023, the price of each of the Fund's share classes, compared to that at the balance sheet date, have moved as follows:

Share Class	Balance sheet date	21.04.23	Movement
Sterling Retail Accumulation	480.26	507.50	5.67%
Sterling Institutional Accumulation	510.98	541.03	5.88%
Sterling Management Accumulation	563.50	604.12	7.21%
Euro Hedged Institutional Accumulation	2,8235	2,9745	5.35%
US Dollar Hedged Institutional Accumulation	2,8356	3,0084	6.09%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 27 April 2023.

LF BROOK ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 December 2022 – per share

EQUALISATION

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

Group 2	Final
From	01.01.22
To	31.12.22

STERLING RETAIL ACCUMULATION SHARES (PENCE)

There were no interim or final distributions in the current or prior year.

STERLING INSTITUTIONAL ACCUMULATION SHARES (PENCE)

There were no interim or final distributions in the current or prior year.

STERLING MANAGEMENT ACCUMULATION SHARES (PENCE)

There were no interim distributions in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 28.02.23	Allocated 28.02.22
Group 1	5.2641	-	5.2641	3.5960
Group 2	2.9696	2.2945	5.2641	3.5960

EURO HEDGED INSTITUTIONAL ACCUMULATION SHARES (€ CENTS)

There were no interim or final distributions in the current or prior year.

US DOLLAR HEDGED INSTITUTIONAL ACCUMULATION SHARES (\$ CENTS)

There were no interim or final distributions in the current or prior year.

GENERAL INFORMATION

Share Capital

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

Structure of the Company

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new sub-fund or class, a revised Prospectus will be prepared setting out the relevant details of each sub-fund or class.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and policy applicable to that sub-fund.

The sub-fund currently available is:

LF Brook Absolute Return Fund

In the future there may be other sub-funds of the Company.

Classes of Shares

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 relevant sub-fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation share.

Valuation Point

The 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 deal in the shares on normal business days between 8.30am and 5.30pm (London time). Instructions to buy or sell shares may be either in writing to: PO Box 389, Darlington DL1 9UF or by telephone on 0345 300 2106.

Prices

The prices of all shares are published on every dealing day on the ACD's website: www.linkfundsolutions.co.uk. The prices of shares may also be obtained by calling 0345 300 2106 during the ACD's normal business hours.

GENERAL INFORMATION *continued*

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.

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.

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.

Additional Information for Investors in Switzerland

Please note that the distribution of LF Brook Absolute Return Fund, a sub-fund of the LF Odey Funds ("Foreign Collective Investment Scheme"/"FCIS") is restricted exclusively to qualified investors in accordance with art. 10 para. 3 of the Swiss Collective Investment Schemes Act.

Principal documents according to art. 13a of the Swiss Collective Investment Ordinance – the Prospectus, Key Investor Information Document, the Instrument of Incorporation, the annual and semi-annual reports, and/or any such documents, which are required for the approval in compliance with the applicable foreign law – of the FCIS may be obtained upon request and free of charge at the Representative's registered office in Zurich. The place of performance and the place of jurisdiction for shareholders having subscribed their shares in Switzerland is Zurich.

Representative & Paying Agent in Switzerland: RBC Investor Services Bank S.A., 7 Bleicherweg, CH-8027 Zurich, Switzerland.

LINKGroup

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