

HERIOT
GLOBAL



HERIOT INVESTMENT FUNDS

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

For the year ended 31 May 2023

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Note: The Authorised Corporate Director's Report consists of 'Authorised Status' and 'Structure of the Company' on page 2, 'Authorised Status' and 'Investment Objective and Policy' on pages 11 and 42, 'Investment Review' as provided by the Investment Manager, on pages 13 to 15 and 44 to 45 and 'Directory' on page 74.

THE AUTHORISED CORPORATE DIRECTOR AND INVESTMENT MANAGER

The Authorised Corporate Director (the 'ACD') of Heriot Investment Funds (the 'Company') is T. Bailey Fund Services Limited ('TBFS'). Dundas Partners LLP is the Investment Manager (the 'Investment Manager') of the Company.

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

YOUR INVESTMENTS

You can buy or sell shares in the Company through your Financial Advisor. Alternatively, you can telephone the dealing line, 0115 988 8272, during normal office hours. Application forms can be requested in writing from the ACD or by calling the Client Services Team on the dealing line. They can also be downloaded from www.tbaileyfs.co.uk.

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

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

OTHER INFORMATION

Full details of Heriot Investment Funds are set out in the Prospectus which provides extensive information about the Fund including risks and expenses. A copy of the Prospectus is available on request from the ACD or can be downloaded from www.tbaileyfs.co.uk.

The Key Investor Information documents, Supplementary Information document and Value Assessment are also available from www.tbaileyfs.co.uk.

AUTHORISED STATUS

Heriot Investment Funds is an investment company with variable capital incorporated in Great Britain, and having its head office in England, under registered number IC000967 and authorised and regulated by the Financial Conduct Authority ('FCA') with effect from 26 February 2013.

STRUCTURE OF THE COMPANY

The Company is a UK UCITS.

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

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

As at the balance sheet date, there were two sub-funds in existence: Heriot Global Fund and Heriot Global Smaller Companies Fund.

The base currency of the Company is Pound Sterling.

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

The ACD is the sole director of the Company.

CROSS HOLDINGS BETWEEN SUB-FUNDS

As at the year-end there were no cross holdings between the two sub-funds.

REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR

Introduction and Scope

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

The Remuneration Policy of the Authorised Corporate Director:

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

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

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

There is no remuneration committee. Remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus and commission arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the TBFS Board.

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

Policy on link between pay and performance

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

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

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

REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR (CONTINUED)

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

There are no commission-based payments made to staff.

No other pay reward schemes exist within the business.

Total remuneration paid by the ACD

	For the year ended 30 September 2022	For the year ended 30 September 2021
Total Number of Staff	65	51
	£'000	£'000
Fixed	2,118	1,797
Variable	143	111
Total Remuneration Paid	2,261	1,908

Total remuneration paid by the ACD to Remuneration Code Staff

	For the year ended 30 September 2022		For the year ended 30 September 2021	
	Senior Management	Staff with Material Impact	Senior Management	Staff with Material Impact
Total Number of Staff	9	-	10	-
	£'000	£'000	£'000	£'000
Fixed	798	-	800	-
Variable	49	-	9	-
Total Remuneration Paid	847	-	809	-

Please note that there were no remuneration payments made directly from Heriot Investment Funds or its sub-funds.

STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

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

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

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

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

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

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

DIRECTORS' STATEMENT

In accordance with COLL 4.5.8BR, the Annual Report and the Audited Financial Statements were approved by the board of directors of the ACD of the Company and authorised for issue on 12 September 2023.

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

Gavin Padbury
Senior Director – Head of T. Bailey Fund Services
T. Bailey Fund Services Limited
Nottingham, United Kingdom
12 September 2023

Mark Smith
Director of Fund Administration
T. Bailey Fund Services Limited
Nottingham, United Kingdom
12 September 2023

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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

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

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

The Depositary must ensure that:

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

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

DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS

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

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

NatWest Trustee and Depositary Services Limited
London, United Kingdom
12 September 2023

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Heriot Investment Funds (the 'Company'):

- give a true and fair view of the financial position of the Company as at 31 May 2023 and of the net revenue and expense and the net capital gains and losses on the property of the Company for the year ended 31 May 2023; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

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

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the related individual notes 1 to 15; and
- the distribution tables

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, as amended in June 2017, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the authorised corporate director's (ACD's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of depositary and ACD

As explained more fully in the statement of depositary's responsibilities and the statement of the ACD's responsibilities, the depositary is responsible for safeguarding the assets of the company and the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS (CONTINUED)

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the Company have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 31 May 2023 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERIOT INVESTMENT FUNDS
(CONTINUED)**

Use of our report

This report is made solely to the company's shareholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Cooper Parry Group Limited
Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
12 September 2023**

HERIOT GLOBAL FUND, AUTHORISED STATUS

Heriot Global Fund (the 'Fund') is a sub-fund of Heriot Investment Funds with investment powers equivalent to those of a UK UCITS as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

INVESTMENT OBJECTIVE AND POLICY

The aim of the Heriot Global Fund is to provide capital appreciation over the long term (5 years or more) by investing in dividend growth companies.

The Fund invests in listed global equities. The Fund aims to invest in a portfolio of approximately 60-100 companies which have high levels of profitability and cash generation, consistent re-investment, low levels of debt and prudent governance in order to deliver the investment objective. The Investment Manager will perform research to identify shares in companies that provide this. To the extent that the Fund is not fully invested in the asset class listed above, investments may be made in money market instruments, deposits, cash and near cash. Such investments are not intended to be more than 10% in aggregate of the value of the Fund.

The Fund will not use derivatives.

FUND BENCHMARKS

Shareholders may wish to compare the performance of the Fund against the MSCI All Country World Index (the 'Index'). The Index contains over 2,500 global listed equities and is considered that overall this is the most representative benchmark for comparison. Please note the Fund is not constrained by or managed to the Index. In particular, the Index is not used to dictate the weighting of assets held and the Fund may also invest in equities that are not contained in the Index.

The MSCI All Country World Index is a Comparator Benchmark of the Fund.

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

The IA Global Sector is a Comparator Benchmark of the Fund.

HERIOT GLOBAL FUND, RISK PROFILE

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

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

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

There is a risk that any company providing services such as the safe keeping of assets may become insolvent, which may cause losses to the Fund.

SYNTHETIC RISK AND REWARD INDICATOR

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

The Fund is in risk category five because it will invest primarily in global company shares, which have experienced high rises and falls in value in the past five years.

ONGOING CHARGES FIGURE

The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The OCF consists principally of the annual management charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Comparative Tables on pages 21 to 24.

HERIOT GLOBAL FUND, INVESTMENT REVIEW

Performance

	Cumulative returns for the periods ended 31 May 2023 (%)			
	1 year	3 years	5 years	From launch ¹
A Accumulation Shares	4.99	27.03	60.12	172.26
B Accumulation Shares	5.26	27.97	62.10	179.70
IA Global Sector*	2.38	27.51	40.99	138.92
MSCI All Country World Index*	2.55	33.02	48.99	166.55

	Compound annual returns for the period ended 31 May 2023 (%)	
	Per annum from launch ¹	
A Accumulation Shares	10.31	
B Accumulation Shares	10.61	
IA Global Sector*	8.91	
MSCI All Country World Index*	10.08	

* *Comparator Benchmarks*

¹ 20 March 2013.

Source: *Financial Express*. Total return, bid to bid. Sterling terms.

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

HERIOT GLOBAL FUND, INVESTMENT REVIEW (CONTINUED)

Dear fellow investor,

This report covers the Heriot Global Fund's progress over the twelve months ended 31 May 2023.

The best way to follow the Fund's development is via its monthly factsheets, available at dundasglobevents.co.uk along with videos and other material discussing our investment strategy. Suggestions on topics you would like us to cover are very welcome.

Last year's report was written a few months after Russia's invasion of Ukraine which had driven oil prices upwards and stock markets downwards. A year on, global oil and gas supply systems have settled and spot prices have fallen. Equity markets have recovered but not yet back to pre-invasion levels.

As the shock of war ebbed, investors' concern turned to two big topics.

First, rising inflation and higher interest rates bring concern about corporate profitability. Inflation spiked for obvious reasons – COVID lockdowns triggered a slump in economic activity and so extra liquidity was pumped into economies to sustain incomes; supply chains were dislocated and disrupted as lockdown saw demand for some products soar whilst others crashed; and the oil and gas price shocks fed through to higher prices across many sectors. Equity dividend growth is the investment antidote to inflation, and over the year under review we have been pleased with the resilience and recovery of distributions made by the Fund's stocks.

Second, and potentially much more important for long term investment, had been the launch of ChatGPT, the first AI tool made widely available to consumer and office users. The Fund has a number of investments in companies that use AI and which will be involved as its applications widen.

OpenAI is a San Francisco based artificial intelligence company in which the Fund has an indirect interest via its holding in Microsoft. In November last year, OpenAI released ChatGPT, a generative AI tool which a billion people have trialled to date. Microsoft has invested US\$13 billion in OpenAI. Azure, Microsoft's cloud computing and storage service, hosts OpenAI. Microsoft has commercial rights over ChatGPT and OpenAI's technology. In June 2023 it released beta test versions of some of its products to which ChatGPT has been added including Windows, Bing, and Azure. Office365's 350 million users around the world will soon be using its tools enabled by ChatGPT.

Nvidia, the US semiconductor company, is the market leader in chips to power AI systems. Heriot Global doesn't hold Nvidia but it does hold TSMC, the Taiwanese company that manufactures the AI chips on Nvidia's behalf. Heriot also owns ASML and Applied Materials, two suppliers of essential manufacturing equipment that TSMC and its peers rely on. TSMC is building a new chip manufacturing plant in Germany at a reputed cost of €10 billion. Each chip manufacturing machine supplied into that factory by ASML costs €350 million.

AI has been deployed within manufacturing and commercial businesses for years, but ChatGPT and Microsoft are bringing it into the daily lives of millions of us. Its impact will become clearer once Office365 enabled systems are put into widespread use. The question for us is whether generative AI will generate dividend growth, and the prospects look good.

HERIOT GLOBAL FUND, INVESTMENT REVIEW (CONTINUED)

Heriot Global invests in companies capable of sustained long-term business and cash flow growth, enabling them to distribute increasing dividends to their shareholders. So long as dividend growth flows from business expansion and isn't merely ever-higher distribution of static profits, we have found it to be a reliable pointer to a company's long-term return prospects. Where dividends lead, share prices follow.

Please feel free to get in touch with Alan Ferguson at aferguson@dundasglobal.com who looks after our UK clients or me at alan@dundasglobal.com.

Best regards,

Alan McFarlane
Senior Partner
Dundas Partners LLP
Edinburgh, United Kingdom
12 September 2023

HERIOT GLOBAL FUND, PORTFOLIO STATEMENTAs at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Denmark (3.7%; 31.05.22 - 3.8%)		
16,295 Coloplast	1,656,787	0.6
44,836 Novo Nordisk	5,792,463	2.2
63,883 Novozymes	2,477,724	0.9
	9,926,974	3.7
France (9.2%; 31.05.22 - 7.9%)		
24,258 Air Liquide	3,263,289	1.2
53,614 Biomerieux	4,310,669	1.6
125,611 Dassault Systèmes	4,433,710	1.7
31,598 Essilor Luxottica	4,570,910	1.7
11,478 L'Oréal	3,932,132	1.5
5,717 LVMH Moët Hennessy	3,995,615	1.5
	24,506,325	9.2
Germany (0.4%; 31.05.22 - 0.6%)		
13,253 Symrise	1,135,451	0.4
	1,135,451	0.4
Hong Kong (0.8%; 31.05.22 - 0.9%)		
271,735 AIA Group	2,103,910	0.8
	2,103,910	0.8
India (1.0%; 31.05.22 - 0.8%)		
50,731 HDFC Bank	2,636,685	1.0
	2,636,685	1.0

HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Japan (4.2%; 31.05.22 - 3.1%)		
11,600 Keyence	4,543,513	1.7
189,800 Misumi	3,339,271	1.3
60,800 Sysmex	3,197,134	1.2
	11,079,918	4.2
Netherlands (1.8%; 31.05.22 - 1.8%)		
8,338 ASML Holding	4,808,457	1.8
	4,808,457	1.8
New Zealand (1.1%; 31.05.22 - 1.2%)		
270,866 Fisher & Paykel	3,040,199	1.1
	3,040,199	1.1
Norway (0.5%; 31.05.22 - 0.8%)		
101,341 Tomra	1,290,567	0.5
	1,290,567	0.5
Singapore (1.2%; 31.05.22 - 1.5%)		
173,200 DBS Group	3,124,530	1.2
	3,124,530	1.2

HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Sweden (5.4%; 31.05.22 - 5.0%)		
218,274 Assa Abloy	3,889,856	1.5
525,902 Atlas Copco A	6,134,033	2.3
469,517 Hexagon	4,362,354	1.6
	14,386,243	5.4
Switzerland (8.4%; 31.05.22 - 6.8%)		
6,569 Geberit	2,798,133	1.0
372 Lindt & Sprüngli	3,573,828	1.3
9,723 Lonza	4,886,827	1.8
14,365 Roche	3,655,623	1.4
22,711 Sonova	4,678,566	1.8
9,289 Tecan	2,859,290	1.1
	22,452,267	8.4
Taiwan (1.5%; 31.05.22 - 1.5%)		
48,873 Taiwan Semiconductor	3,893,032	1.5
	3,893,032	1.5
United Kingdom (3.7%; 31.05.22 - 3.9%)		
102,369 Diageo	3,426,290	1.3
167,832 Prudential	1,772,306	0.7
524,536 Sage	4,566,610	1.7
	9,765,206	3.7

HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
United States		
(53.9%; 31.05.22 - 57.4%)		
51,275 Abbott Laboratories	4,223,037	1.6
22,415 Accenture	5,541,954	2.1
50,334 Activision Blizzard	3,260,109	1.2
34,526 Akamai Technologies	2,568,197	1.0
54,779 Alphabet	5,464,633	2.0
25,305 American Express	3,241,009	1.2
77,498 Amphenol	4,721,078	1.8
38,670 Analog Devices	5,548,725	2.1
36,410 Apple	5,215,034	2.0
46,570 Applied Materials	5,008,145	1.9
21,504 Automatic Data Processing	3,628,616	1.3
88,025 Brown & Brown	4,427,898	1.7
12,315 Costco Wholesale	5,088,749	1.9
96,964 eBay	3,329,982	1.2
22,203 Equifax	3,739,217	1.4
12,863 Factset Research Systems	3,997,946	1.5
19,595 Home Depot	4,484,846	1.7
33,252 Keysight Technologies	4,342,866	1.6
21,134 Littelfuse	4,361,585	1.6
31,645 Marsh & McLennan	4,421,665	1.7
33,035 Microsoft	8,766,129	3.3
99,362 Nasdaq	4,439,084	1.7
25,197 Nordson	4,433,020	1.7
66,655 PayPal	3,337,862	1.2
65,991 Ross Stores	5,521,359	2.1
17,955 Stryker	3,995,846	1.5
52,885 The Walt Disney Company	3,756,214	1.4
9,742 Thermo Fisher Scientific	4,000,299	1.5
27,016 Visa	4,823,055	1.8
86,261 W. R. Berkley	3,878,159	1.4
12,854 W. W. Grainger	6,738,725	2.5
26,745 Zoetis	3,517,636	1.3
	<hr/> 143,822,679	<hr/> 53.9

HERIOT GLOBAL FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

	Bid market value £	Percentage of total net assets %
Portfolio of investments	257,972,443	96.8
Net other assets	8,454,677	3.2
Total net assets	266,427,120	100.0

All holdings are in equities quoted on official stock exchanges.

'Canada' sector disinvested since the beginning of the year (31.05.22: 1.1%).

'Spot Currency Contracts' sector disinvested since the beginning of the year (31.05.22: 0.0%).

HERIOT GLOBAL FUND, COMPARATIVE TABLE

B Income Shares	1 Jun 2022 to 31 May 2023	1 Jun 2021 to 31 May 2022	1 Jun 2020 to 31 May 2021
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	226.13	225.44	192.30
Return before operating charges*	13.35	4.33	36.49
Operating charges	(1.23)	(1.23)	(0.99)
Return after operating charges*	12.12	3.10	35.50
Distributions on income shares	(2.83)	(2.41)	(2.36)
Closing net asset value per share	235.42	226.13	225.44
* after direct transaction costs of:	0.06	0.04	0.06
Performance			
Return after charges	5.36%	1.38%	18.46%
Other information			
Closing net asset value	£35,505,593	£20,003,345	£20,242,609
Closing number of shares	15,081,890	8,845,964	8,979,031
Operating charges (p.a.)	0.52%	0.51%	0.47%
Direct transaction costs (p.a.)	0.03%	0.02%	0.03%
Prices			
Highest published share price	248.89	265.48	229.93
Lowest published share price	206.02	217.64	188.33

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

HERIOT GLOBAL FUND, COMPARATIVE TABLE (CONTINUED)

B Accumulation Shares	1 Jun 2022 to 31 May 2023	1 Jun 2021 to 31 May 2022	1 Jun 2020 to 31 May 2021
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	262.92	259.49	218.98
Return before operating charges*	15.51	4.85	41.64
Operating charges	(1.42)	(1.42)	(1.13)
Return after operating charges*	14.09	3.43	40.51
Distributions	(3.30)	(2.78)	(2.69)
Retained distributions on accumulation shares	3.30	2.78	2.69
Closing net asset value per share	277.01	262.92	259.49
* after direct transaction costs of:	0.07	0.05	0.07
Performance			
Return after charges	5.36%	1.32%	18.50%
Other information			
Closing net asset value	£42,830,613	£50,425,338	£44,840,233
Closing number of shares	15,461,922	19,178,645	17,280,184
Operating charges (p.a.)	0.52%	0.51%	0.47%
Direct transaction costs (p.a.)	0.03%	0.02%	0.03%
Prices			
Highest published share price	290.77	306.73	262.95
Lowest published share price	239.53	251.45	214.46

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

HERIOT GLOBAL FUND, COMPARATIVE TABLE (CONTINUED)

A Income Shares	1 Jun 2022 to 31 May 2023	1 Jun 2021 to 31 May 2022	1 Jun 2020 to 31 May 2021
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	220.71	220.59	188.63
Return before operating charges*	13.00	4.27	35.75
Operating charges	(1.76)	(1.80)	(1.48)
Return after operating charges*	11.24	2.47	34.27
Distributions on income shares	(2.76)	(2.35)	(2.31)
Closing net asset value per share	229.19	220.71	220.59
* after direct transaction costs of:	0.06	0.04	0.06
Performance			
Return after charges	5.09%	1.12%	18.17%
Other information			
Closing net asset value	£104,368,672	£93,287,646	£88,836,974
Closing number of shares	45,537,227	42,267,876	40,272,113
Operating charges (p.a.)	0.77%	0.76%	0.72%
Direct transaction costs (p.a.)	0.03%	0.02%	0.03%
Prices			
Highest published share price	242.50	259.39	225.05
Lowest published share price	201.06	212.43	184.72

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

HERIOT GLOBAL FUND, COMPARATIVE TABLE (CONTINUED)

A Accumulation Shares	1 Jun 2022 to 31 May 2023	1 Jun 2021 to 31 May 2022	1 Jun 2020 to 31 May 2021
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	256.57	253.83	214.74
Return before operating charges*	15.12	4.81	40.79
Operating charges	(2.05)	(2.07)	(1.70)
Return after operating charges*	13.07	2.74	39.09
Distributions	(3.22)	(2.72)	(2.64)
Retained distributions on accumulation shares	3.22	2.72	2.64
Closing net asset value per share	269.64	256.57	253.83
* after direct transaction costs of:	0.07	0.04	0.07
Performance			
Return after charges	5.09%	1.08%	18.20%
Other information			
Closing net asset value	£83,722,242	£68,488,728	£32,204,944
Closing number of shares	31,049,688	26,694,479	12,687,380
Operating charges (p.a.)	0.77%	0.76%	0.72%
Direct transaction costs (p.a.)	0.03%	0.02%	0.03%
Prices			
Highest published share price	283.25	299.62	257.30
Lowest published share price	233.71	245.38	210.29

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

HERIOT GLOBAL FUND, STATEMENT OF TOTAL RETURNFor the year ended 31 May 2023

	Note	£	31.05.23 £	31.05.22 £
Income				
Net capital gains/(losses)	2		10,138,222	(1,896,266)
Revenue	3	3,492,728		2,560,287
Expenses	4	(1,732,770)		(1,506,830)
Interest payable and similar charges	6	(3,429)		(7,660)
Net revenue before taxation		1,756,529		1,045,797
Taxation	5	(413,277)		(293,861)
Net revenue after taxation			1,343,252	751,936
Total return/(loss) before distributions			11,481,474	(1,144,330)
Distributions	6		(3,046,295)	(2,258,765)
Change in net assets attributable to shareholders from investment activities			8,435,179	(3,403,095)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERSFor the year ended 31 May 2023

	Note	£	31.05.23 £	31.05.22 £
Opening net assets attributable to shareholders			232,205,057	186,124,760
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		84,490,430		72,167,099
Amounts payable on cancellation of shares		(60,229,628)		(23,836,212)
			24,260,802	48,330,887
Dilution levy			22,539	-
Change in net assets attributable to shareholders from investment activities			8,435,179	(3,403,095)
Retained distributions on accumulation shares	6		1,503,543	1,152,505
Closing net assets attributable to shareholders			266,427,120	232,205,057

HERIOT GLOBAL FUND, BALANCE SHEETAs at 31 May 2023

	Note	31.05.23 £	31.05.22 £
Assets:			
Fixed Assets:			
Investments		257,972,443	227,770,539
Current Assets:			
Debtors	7	778,504	3,851,135
Cash and bank balances	8	9,246,252	10,648,425
Total assets		267,997,199	242,270,099
Liabilities:			
Investment liabilities		-	5,763
Creditors			
Distribution payable on income shares	6	1,007,741	720,707
Other creditors	9	562,338	9,338,572
Total liabilities		1,570,079	10,065,042
Net assets attributable to shareholders		266,427,120	232,205,057

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2023

1. Accounting policies**(a) Basis of accounting**

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

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

(b) Functional currency

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

(c) Recognition of revenue

Dividends on holdings, net of any irrecoverable tax credits, are recognised when the underlying transferable security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

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

(d) Treatment of stock dividends

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

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

(e) Treatment of expenses

All expenses, net of any associated tax effect, are allocated to the capital account with the exception of bank interest and transaction charges relating to the payment of revenue, which are allocated to the revenue account on an accrual basis.

(f) Allocation of revenue and expenses to multiple share classes

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

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2023

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

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

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

(h) Distribution policy

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

(i) Exchange rates

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

(j) Financial instruments

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

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

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

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

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2023

2. Net capital gains/(losses)

	31.05.23	31.05.22
	£	£
Non-derivative securities	9,195,517	(11,721,935)
Currency gains	947,947	9,809,255
Forward currency contracts gains	-	18,513
Transaction charges	(5,190)	(1,883)
Market associated costs	(52)	(227)
CSDR penalties	-	11
Net capital gains/(losses)	<u>10,138,222</u>	<u>(1,896,266)</u>

3. Revenue

	31.05.23	31.05.22
	£	£
UK franked dividends	153,456	277,633
Overseas dividends	3,166,527	2,279,841
Franked income currency gains	20,688	3,299
Bank interest	154,326	1,292
Unfranked income currency losses	(2,269)	(1,778)
Total revenue	<u>3,492,728</u>	<u>2,560,287</u>

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2023

4. Expenses

	31.05.23	31.05.22
	£	£
Payable to the ACD, associates of the ACD and agents of either:		
Annual management charge	1,431,150	1,272,731
Registration fees	144,826	93,985
Administration fees	1,925	2,463
	<u>1,577,901</u>	<u>1,369,179</u>
Payable to the Depositary, associates of the Depositary and agents of either:		
Depositary's fees	63,834	61,380
Safe custody fees	78,089	65,201
	<u>141,923</u>	<u>126,581</u>
Other expenses:		
Audit fee	7,500	6,600
Tax fee	3,600	3,240
FCA fee	96	89
Other expenses	1,750	1,141
	<u>12,946</u>	<u>11,070</u>
Total expenses	<u>1,732,770</u>	<u>1,506,830</u>
	31.05.23	31.05.22
	£	£
Fees payable to the company auditor for the audit of the company's financial statements:		
Total audit fee	<u>7,500</u>	<u>6,600</u>
Total non audit fees - Tax compliance services	<u>3,600</u>	<u>3,240</u>

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2023

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

	31.05.23	31.05.22
	£	£
Analysis of charge in the year		
Overseas tax	413,277	293,861
Total current tax for the year (see note 5(b))	413,277	293,861
Deferred tax (see note 5(c))	-	-
Total taxation for the year	413,277	293,861

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

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

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

	31.05.23	31.05.22
	£	£
Net revenue before taxation	1,756,529	1,045,797
Corporation tax at 20%	351,306	209,159
Effects of:		
Revenue not subject to taxation	(668,135)	(512,154)
Excess expenses for which no relief taken	316,829	302,995
Overseas taxation	413,277	293,861
Current tax charge for the year (see note 5(a))	413,277	293,861

(c) Provision for deferred tax

At 31 May 2023 the Fund had surplus management expenses of £6,656,086 (31 May 2022: £5,071,941). The deferred tax in respect of this would be £1,331,217 (31 May 2022: £1,014,388). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end (see note 5(a)).

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2023

6. Distributions

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

	31.05.23	31.05.22
	£	£
Interim - Income	593,289	473,061
Final - Income	<u>1,007,741</u>	<u>720,707</u>
	1,601,030	1,193,768
Interim - Accumulation	598,412	400,902
Final - Accumulation	<u>905,131</u>	<u>751,603</u>
	1,503,543	1,152,505
Add: Revenue deducted on cancellation of shares	110,745	61,957
Deduct: Revenue received on issue of shares	<u>(169,023)</u>	<u>(149,465)</u>
Net distribution for the year	<u>3,046,295</u>	<u>2,258,765</u>
Interest	3,429	7,660
Total finance costs	<u>3,049,724</u>	<u>2,266,425</u>
Reconciliation to net distribution for the year		
Net revenue after taxation for the year	1,343,252	751,936
Expenses allocated to capital, net of tax relief	<u>1,703,043</u>	<u>1,506,829</u>
Net distribution for the year	<u>3,046,295</u>	<u>2,258,765</u>

Details of the distributions per share are set out in the Distribution Tables on page 41.

7. Debtors

	31.05.23	31.05.22
	£	£
Amounts receivable for issue of shares	333,105	628,747
Sales awaiting settlement	-	2,833,316
Accrued revenue	316,156	260,630
Income tax recoverable	<u>129,243</u>	<u>128,442</u>
Total debtors	<u>778,504</u>	<u>3,851,135</u>

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2023

8. Cash and bank balances

	31.05.23	31.05.22
	£	£
Cash and bank balances	<u>9,246,252</u>	<u>10,648,425</u>
Total cash and bank balances	<u>9,246,252</u>	<u>10,648,425</u>

9. Other creditors

	31.05.23	31.05.22
	£	£
Amounts payable for cancellation of shares	361,664	367,084
Purchases awaiting settlement	-	8,799,252
Accrued managers fees	139,553	115,761
Accrued registration fees	13,702	12,402
Accrued administration fees	115	232
Accrued depositary fees	5,765	5,359
Accrued custody fees	30,423	28,622
Accrued audit fees	7,500	6,600
Accrued tax fees	3,600	3,240
Accrued FCA fees	16	20
Total creditors	<u>562,338</u>	<u>9,338,572</u>

10. Related party transactions

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

As at the balance sheet date the following authorised funds, which are also administered by the ACD, held shares in Heriot Global Fund: TB Opie Street Growth Fund (910,148 shares), TB Opie Street Balanced Fund (737,016 shares), Unity Fund (3,646,071 shares) and Sandwood Fund ICVC (262,531 shares).

As at the balance sheet date, there were no shareholders holding more than 25% of the Fund's total net asset value.

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

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2023

11. Share classes

The Fund currently has four share classes. The following table shows a breakdown of the change in shares in issue of each share class in the year:

	B Income
Opening shares at the start of the year	8,845,963.800
Total creation of shares in the year	6,473,564.219
Total cancellation of shares in the year	<u>(237,637.966)</u>
Closing shares at the end of the year	<u>15,081,890.053</u>

	A Income
Opening shares at the start of the year	42,267,875.513
Total creation of shares in the year	5,141,497.026
Total cancellation of shares in the year	<u>(1,872,145.384)</u>
Closing shares at the end of the year	<u>45,537,227.155</u>

	B Accumulation
Opening shares at the start of the year	19,178,645.096
Total creation of shares in the year	6,705,047.685
Total cancellation of shares in the year	<u>(10,421,771.137)</u>
Closing shares at the end of the year	<u>15,461,921.644</u>

	A Accumulation
Opening shares at the start of the year	26,694,479.253
Total creation of shares in the year	14,744,499.008
Total cancellation of shares in the year	<u>(10,389,290.025)</u>
Closing shares at the end of the year	<u>31,049,688.236</u>

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

A Accumulation Shares	0.65% p.a.
A Income Shares	0.65% p.a.
B Accumulation Shares	0.40% p.a.
B Income Shares	0.40% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Comparative Tables on pages 21 to 24. The distributions per share class are given in the Distribution Tables on page 41. All share classes have the same rights on winding up.

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2023

12. Risk management policies

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

(a) Currency exposures

The Fund's financial assets are invested in equities and other transferrable securities whose prices are quoted in various different currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 31 May 2023			Net foreign currency assets at 31 May 2022		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Canadian Dollar	84	-	84	-	2,564	2,564
Danish Krone	-	10,001	10,001	-	8,362	8,362
Euro	23	30,570	30,593	46	23,086	23,132
Hong Kong Dollar	-	2,136	2,136	-	2,167	2,167
Japanese Yen	-	11,116	11,116	-	7,319	7,319
New Zealand Dollar	-	3,040	3,040	-	1,466	1,466
Norwegian Krone	-	1,295	1,295	-	1,801	1,801
Singapore Dollar	-	3,125	3,125	-	2,897	2,897
Swedish Krona	-	14,397	14,397	-	10,702	10,702
Swiss Franc	27	22,452	22,479	44	15,647	15,691
US Dollar	-	150,497	150,497	-	136,763	136,763

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £22,564,294 (31 May 2022: £19,875,448). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £27,578,582 (31 May 2022: £24,292,214). These calculations assume all other variables remain constant. The Investment Manager employs no specific policy to manage currency risk.

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 May 2023

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

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

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

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not bearing interest £'000	Floating rate financial liabilities £'000	Financial liabilities not bearing interest £'000	Total £'000
31.05.23						
Canadian Dollar	84	-	-	-	-	84
Danish Krone	-	-	10,001	-	-	10,001
Euro	23	-	30,570	-	-	30,593
Hong Kong Dollar	-	-	2,136	-	-	2,136
Japanese Yen	-	-	11,116	-	-	11,116
New Zealand Dollar	-	-	3,040	-	-	3,040
Norwegian Krone	-	-	1,295	-	-	1,295
Singapore Dollar	-	-	3,125	-	-	3,125
Sterling	9,112	-	10,122	-	(1,569)	17,665
Swedish Krona	-	-	14,397	-	-	14,397
Swiss Franc	27	-	22,452	-	-	22,479
US Dollar	-	-	150,497	-	-	150,497
31.05.22						
Canadian Dollar	-	-	2,564	-	-	2,564
Danish Krone	-	-	8,968	-	(606)	8,362
Euro	46	-	23,982	-	(896)	23,132
Hong Kong Dollar	-	-	2,167	-	-	2,167
Japanese Yen	-	-	7,319	-	-	7,319
New Zealand Dollar	-	-	2,804	-	(1,338)	1,466
Norwegian Krone	-	-	1,801	-	-	1,801
Singapore Dollar	-	-	3,458	-	(561)	2,897
Sterling	10,558	-	10,043	-	(1,260)	19,341
Swedish Krona	-	-	11,499	-	(797)	10,702
Swiss Franc	44	-	15,647	-	-	15,691
US Dollar	-	-	141,370	-	(4,607)	136,763

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

Short term debtors and creditors are included as financial assets and liabilities not interest bearing in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not interest bearing mainly comprise investments that do not have a maturity date.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

(c) Liquidity risk

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

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

(e) Market price risk

The Fund's underlying investments are in securities quoted on recognised stock exchanges or traded on regulated markets. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

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

If the value of shares in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £25,797,244 (31 May 2022: £22,777,054). This calculation assumes all other variables remain constant.

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 May 2023

12. Risk management policies (continued)

(f) Fair value of financial assets and liabilities

Basis of Valuation	INVESTMENT ASSETS	
	31 May 2023	31 May 2022
	£	£
Level 1: Quoted Prices	257,972,443	227,770,539
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	257,972,443	227,770,539

Basis of Valuation	INVESTMENT LIABILITIES	
	31 May 2023	31 May 2022
	£	£
Level 1: Quoted Prices	-	-
Level 2: Observable Market Data	-	5,763
Level 3: Unobservable Data	-	-
	-	5,763

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

(g) Commitments on derivatives

No derivatives were held at the balance sheet date (31 May 2022: £nil).

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

 For the year ended 31 May 2023

13. Transaction costs
(a) Direct transaction costs

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

	31.05.23		31.05.22	
	£		£	
Analysis of total purchase costs				
PURCHASES				
Equities	61,107,527		74,507,461	
Net purchases before direct transaction costs	61,107,527		74,507,461	
		% of total		% of total
DIRECT TRANSACTION COSTS		purchases		purchases
Equities	49,794	0.08%	28,630	0.04%
Total direct transaction costs	49,794	0.08%	28,630	0.04%
Gross purchases total	61,157,321		74,536,091	
Analysis of total sale costs				
SALES				
Equities	41,273,972		24,232,789	
Gross sales before direct transaction costs	41,273,972		24,232,789	
		% of total		% of total
DIRECT TRANSACTION COSTS		sales		sales
Equities	(13,464)	0.03%	(6,970)	0.03%
Total direct transaction costs	(13,464)	0.03%	(6,970)	0.03%
Net sales total	41,260,508		24,225,819	
	31.05.23	% of	31.05.22	% of
	£	average NAV	£	average NAV
Analysis of total direct transaction costs				
Equities	63,258	0.03%	35,600	0.02%
Total direct transaction costs	63,258	0.03%	35,600	0.02%

HERIOT GLOBAL FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2023

13. Transaction costs (continued)**(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 0.09% (31 May 2022: 0.11%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

14. Capital commitments and contingent liabilities

The Fund had no capital commitments or contingent liabilities at the balance sheet date (31 May 2022: £nil).

15. Post balance sheet events

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

- The B Income shares have decreased from 235.42p to 231.44p as at 18 August 2023.
- The B Accumulation shares have decreased from 277.01p to 272.31p as at 18 August 2023.
- The A Income shares have decreased from 229.19p to 225.20p as at 18 August 2023.
- The A Accumulation shares have decreased from 269.64p to 264.92p as at 18 August 2023.

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

HERIOT GLOBAL FUND, DISTRIBUTION TABLEFor the year ended 31 May 2023

Interim Distribution (30 November 2022)

Group 1 - Shares purchased on or prior to 31 May 2022

Group 2 - Shares purchased after 31 May 2022

Shares	Revenue	Equalisation ¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.01.23 (pence)	31.01.22 (pence)
B Income				
Group 1	1.1370	-	1.1370	0.9711
Group 2	1.1370	-	1.1370	0.9711
A Income				
Group 1	1.1090	-	1.1090	0.9496
Group 2	0.4944	0.6146	1.1090	0.9496
B Accumulation				
Group 1	1.3221	-	1.3221	1.1179
Group 2	0.6335	0.6886	1.3221	1.1179
A Accumulation				
Group 1	1.2890	-	1.2890	1.0931
Group 2	0.6388	0.6502	1.2890	1.0931

Final Distribution (31 May 2023)

Group 1 - Shares purchased on or prior to 30 November 2022

Group 2 - Shares purchased after 30 November 2022

Shares	Revenue	Equalisation ¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.07.23 (pence)	31.07.22 (pence)
B Income				
Group 1	1.6955	-	1.6955	1.4379
Group 2	1.3886	0.3069	1.6955	1.4379
A Income				
Group 1	1.6514	-	1.6514	1.4041
Group 2	1.1474	0.5040	1.6514	1.4041
B Accumulation				
Group 1	1.9807	-	1.9807	1.6613
Group 2	1.7489	0.2318	1.9807	1.6613
A Accumulation				
Group 1	1.9287	-	1.9287	1.6219
Group 2	1.1774	0.7513	1.9287	1.6219

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

HERIOT GLOBAL SMALLER COMPANIES FUND, AUTHORISED STATUS

Heriot Global Smaller Companies Fund (the 'Fund') is a sub-fund of Heriot Investment Funds with investment powers equivalent to those of a UK UCITS as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

INVESTMENT OBJECTIVE AND POLICY

The aim of Heriot Global Smaller Companies Fund is to provide capital appreciation over the long term (5 years or more).

The Fund will invest at least 90% of its assets in shares of companies, globally.

The Fund is not constrained by a benchmark and will invest in shares of companies in any country and in any sector. These will typically, at the time of initial purchase, have a market capitalisation that is no larger (by market capitalisation) than the largest company in the MSCI ACWI Small Cap Index (the 'Index'). The Investment Manager will monitor the market capitalisation of companies held and will, using its discretion, seek, at the timing of its choice, to dispose of those holdings where the company's market capitalisation has consistently outgrown that of the largest company in the Index.

The companies selected have high levels of profitability and cash generation, consistent re-investment, and low levels of debt. The Investment Adviser will perform research to identify shares in companies that provide this. To the extent that the Fund is not fully invested in listed equities, investments may be made in cash-like instruments, such as money market instruments, deposits, cash and near cash. Such investments are not intended to be more than 10% in aggregate of the value of the Fund.

The Fund will be actively managed and in selecting investments for the Fund, the Investment Manager will take into account its Baseline Exclusion Criteria (as set out in section 13 of the Prospectus).

The Fund will not use derivatives.

FUND BENCHMARK

Shareholders may wish to compare the performance of the Fund against the MSCI ACWI Small Cap Index. The Index captures small cap representation across a number of developed market countries; and has a considerable number of constituents, covering approximately 14% of the free float-adjusted market capitalization in each country. It is considered that overall this is the most representative benchmark for comparison purposes. Please note the Fund is not constrained by or managed to the Index. In particular, the Index is not used to dictate the weighting of assets held and the Fund may also invest in equities that are not contained in the Index.

The MSCI ACWI Small Cap Index is a Comparator Benchmark of the Fund.

HERIOT GLOBAL SMALLER COMPANIES FUND, RISK PROFILE

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

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

Smaller companies' securities are often traded less frequently than those of larger companies, this means they may be more difficult to buy and sell. Their prices may also be subject to short term swings.

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

There is a risk that any company providing services such as safe keeping of assets may become insolvent, which may cause losses to the Fund.

SYNTHETIC RISK AND REWARD INDICATOR

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

The Fund is in risk category six because it will invest primarily in global company shares, which have experienced high rises and falls in value in the past five years.

ONGOING CHARGES FIGURE

The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The OCF consists principally of the annual management charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Comparative Tables on pages 51 to 55.

HERIOT GLOBAL SMALLER COMPANIES FUND, INVESTMENT REVIEW

Performance

	Cumulative returns for the periods ended 31 May 2023 (%)	
	1 year	From launch ¹
A Accumulation Shares	(1.60)	(15.73)
B Accumulation Shares	(1.48)	(15.52)
MSCI ACWI Small Cap Index*	(2.51)	(9.10)

* *Comparator Benchmark.*

¹ *From 27 September 2021.*

Source: Financial Express. Total Return. Bid to Bid. Sterling Terms.

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

Dear fellow investor

This report covers the Heriot Global Smaller Companies Fund progress over the twelve months ended 31 May 2023.

The best way to follow the Fund's development is via its monthly factsheets, available at dundasglobevents.co.uk along with videos and other material discussing our investment strategy. Suggestions on topics you would like us to cover are very welcome.

A foundational idea of our investment philosophy is where dividends grow, share prices follow. This is important for smaller company investing as it is for their larger peers. When management address their capital allocation decisions through time the commitment with shareholders to grow the dividend inserts tension in the system. Limiting funds for reinvestment focuses the mind on the best long term reinvestment opportunities by avoiding value destructive activities. In essence, it is an optimising tool. When well used by boards and shareholders the rewards are excellent long-term compounding returns.

The calendar year 2022 saw our Fund's businesses grow their dividends 19.6% on average, with a median growth of 11.3%. For the year to 31 May 2023 dividends grew 8.6% on average, with a median growth of 8.4%. There have been many notable dividend changes on the positive side. Littelfuse, one of our largest investments, increased their 2022 dividend 13%, reflecting their successful innovation and M&A strategy as they address broad electrification trends with power management and circuit protection products. VAT Group increased their 2022 dividend by 22% and 2023 dividend by 14%. This excellent business sells highly engineered, market leading product used to create vacuums, a key process technology for advanced semiconductor manufacturing. Disappointingly we had a single dividend omission. GN Store makes hearing aids and audio equipment. They cut their 2023 dividend due to a poor capital allocation decision. They used leverage to pay a high valuation for SteelSeries, a cyclical business focused on gaming headsets. Management have turned over, and the business has refinanced through a small equity raise and debt restructuring. We are in the process of reassessing our investment going forward.

Despite the excellent dividend growth numbers, it has been unrewarding period to be a smaller company investor. The MSCI ACWI index fell 8.1% through 2022, slightly less than the MSCI ACWI Small Cap index's fall of 8.4%. For the year to 31 May 2023, the MSCI ACWI was up 4.5%, outperforming the MSCI ACWI Small Cap index which posted a return of -1.1% (all returns in GBP).

HERIOT GLOBAL SMALLER COMPANIES FUND, INVESTMENT REVIEW (CONTINUED)

The place to be has been large cap technology companies with even a tenuous link to Artificial Intelligence, not smaller companies that may be more economically sensitive.

We are not alone in noting this gap in performance or valuation decline as four of our Fund's businesses have either been acquired or received takeover offers. We received a 50% premium for our stake in National Instruments, a developer of inspection & test systems for industrial automation and a 16% premium for our stake in Mimecast, an email security software developer. We still hold Dechra Pharmaceuticals, which we continued to add to through the year, and have been offered a 44% premium from the private equity firm EQT. Abcam is currently up almost 100% from the lows of the year as management conducts a strategic review including a sale. We do not have a view as to the sustainability of this level of M&A, however we are heartened that strategic acquirers have been willing to offer an average premium of over 36% thus far, and recognise the quality, value and growth opportunities embedded within our Fund.

Our Fund's businesses have also been active, deploying over US\$8bn for 58 acquisitions through calendar 2022. While the prudence of GN Store's activity remains to be seen, the activity has been bolt-on, low risk, and should contribute around 1.5%pa to revenue growth while furthering strategic objectives. The governance of capital allocation is the key to sustainable value creation, and we will continue to monitor our Fund's businesses closely.

Our portfolio of businesses retains 60% of profits for reinvestment, both internal and for M&A. As a proportion of revenue, our holdings spend 7% on research & development, and 7% on capital expenditure. This compares favourably to the benchmark's lower 2% on R&D and 6% on cap ex. This higher level of reinvestment and focus on innovation demonstrates a profoundly optimistic view of the future and it is one that we share so long as dividend growth flows.

Please get in touch with Alan Ferguson at aferguson@dundasglobal.com who looks after our UK clients or me at gavin@dundasglobal.com.

Best regards,

Gavin Harvie
Partner
Dundas Partners LLP
Edinburgh, United Kingdom
12 September 2023

HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENTAs at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Australia (3.7%; 31.05.22 - 4.2%)		
7,179 Carsales.com	86,220	0.8
893 Cochlear	113,216	1.1
51,545 Codan	187,789	1.8
	387,225	3.7
Canada (1.8%; 31.05.22 - 1.4%)		
4,393 Ritchie Bros. Auctioneers	184,443	1.8
	184,443	1.8
Denmark (0.7%; 31.05.22 - 1.3%)		
3,601 GN Store Nord	71,515	0.7
	71,515	0.7
Finland (1.3%; 31.05.22 - 1.0%)		
3,510 Vaisala 'A'	129,620	1.3
	129,620	1.3
France (2.5%; 31.05.22 - 1.9%)		
142 Robertet	103,049	1.0
2,050 Vetoquinol	155,282	1.5
	258,331	2.5

HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Germany (4.0%; 31.05.22 - 7.5%)		
3,881 Basler	71,327	0.7
2,548 Nemetschek	160,005	1.6
1,940 Steico	75,058	0.7
2,111 Stratec	103,519	1.0
	409,909	4.0
Hong Kong (0.8%; 31.05.22 - 1.7%)		
59,500 Vitasoy	78,641	0.8
	78,641	0.8
Ireland (0.9%; 31.05.22 - 1.1%)		
1,045 Allegion	88,319	0.9
	88,319	0.9
Italy (8.9%; 31.05.22 - 6.8%)		
14,203 Brembo	173,329	1.7
7,957 Carel Industries	176,989	1.7
2,236 Diasorin	184,733	1.8
4,833 Interpump Group	208,279	2.0
2,028 Reply	176,257	1.7
	919,587	8.9

HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Japan		
(14.6%; 31.05.22 - 13.6%)		
17,000 Asahi Intecc	260,784	2.5
1,800 Disco Corporation	211,540	2.1
4,600 Harmonic Drive Systems	128,107	1.3
10,300 Misumi	181,214	1.8
22,400 Monotaro	250,695	2.4
13,500 TechnoPro	235,564	2.3
6,000 Trend Micro	229,844	2.2
	<hr/> 1,497,748	<hr/> 14.6
Norway		
(1.9%; 31.05.22 - 2.7%)		
15,317 Nordic Semiconductor	128,437	1.3
5,138 Tomra Systems	65,432	0.6
	<hr/> 193,869	<hr/> 1.9
Sweden		
(4.9%; 31.05.22 - 5.8%)		
4,847 CellaVision	72,907	0.7
2,931 HMS Networks	104,293	1.0
5,594 INVISIO	93,033	0.9
11,829 Paradox Interactive	230,827	2.3
	<hr/> 501,060	<hr/> 4.9

HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Switzerland		
(11.1%; 31.05.22 - 7.2%)		
796 Comet Holding	173,749	1.7
177 Inficon	157,854	1.5
121 LEM	218,494	2.1
426 Siegfried	271,211	2.6
2,498 Temenos	169,224	1.7
469 VAT	155,422	1.5
	1,145,954	11.1
United Kingdom		
(21.1%; 31.05.22 - 14.6%)		
9,164 AB Dynamics	180,531	1.8
10,258 Abcam (ADR)	133,577	1.3
38,016 Alpha Financial Markets Consulting	171,072	1.7
11,723 Close Brothers	106,328	1.0
6,757 Dechra Pharmaceuticals	225,684	2.2
83,051 GB	246,329	2.4
12,049 Kainos Group	154,468	1.5
7,172 Keywords Studios	139,424	1.4
4,043 Renishaw	163,499	1.6
22,683 RS Group	180,693	1.8
18,541 Sage	161,418	1.6
4,917 Softcat	67,117	0.7
117,879 Spirent Communications	211,593	2.1
	2,141,733	21.1

HERIOT GLOBAL SMALLER COMPANIES FUND, PORTFOLIO STATEMENT (CONTINUED)As at 31 May 2023

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
United States		
(19.4%; 31.05.22 - 25.8%)		
1,332 Badger Meter	148,104	1.4
2,852 Coherent	85,074	0.8
2,088 First American Financial	92,508	0.9
1,094 Fox Factory	78,533	0.8
2,713 Globus Medical	118,577	1.2
3,780 Graco	233,416	2.3
1,935 Insperty	172,911	1.7
1,688 JBP Corporation	145,225	1.4
1,306 Littelfuse	269,529	2.6
1,992 MKS Instruments	156,343	1.5
347 Morningstar	57,346	0.6
2,373 Power Integrations	165,384	1.6
2,332 Tenable	77,093	0.8
2,502 TransUnion	145,390	1.4
3,118 Xometry	46,014	0.4
	<hr/> 1,991,447	<hr/> 19.4
Portfolio of investments	9,999,401	97.6
Net other assets	244,243	2.4
Total net assets	<hr/> 10,243,644	<hr/> 100.0

All holdings are in equities quoted on official stock exchanges.

HERIOT GLOBAL SMALLER COMPANIES FUND, COMPARATIVE TABLE

B Income Shares	1 Jun 2022 to 31 May 2023 <small>(pence per share)</small>	27 Sep 2021 to 31 May 2022 <small>(pence per share)</small>
Change in net assets per share		
Opening net asset value per share	84.25	100.00
Return before operating charges*	(0.05)	(14.58)
Operating charges	(0.66)	(0.57)
Return after operating charges*	(0.71)	(15.15)
Distributions on income shares	(0.99)	(0.60)
Closing net asset value per share	82.55	84.25
* after direct transaction costs of:	0.05	0.12
Performance		
Return after charges	(0.84)%	(15.15)%
Other information		
Closing net asset value	£360,969	£373,033
Closing number of shares	437,250	442,750
Operating charges (p.a.)	0.75%	0.87%
Direct transaction costs (p.a.)	0.06%	0.20%
Prices		
Highest published share price	90.56	106.47
Lowest published share price	75.03	80.98

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

HERIOT GLOBAL SMALLER COMPANIES FUND, COMPARATIVE TABLE (CONTINUED)

B Accumulation Shares	1 Jun 2022 to 31 May 2023	27 Sep 2021 to 31 May 2022
	(pence per share)	(pence per share)
Change in net assets per share		
Opening net asset value per share	84.83	100.00
Return before operating charges*	(0.01)	(14.59)
Operating charges	(0.65)	(0.58)
Return after operating charges*	(0.66)	(15.17)
Distributions	(1.00)	(0.60)
Retained distributions on accumulation shares	1.00	0.60
Closing net asset value per share	84.17	84.83
* after direct transaction costs of:	0.05	0.13
Performance		
Return after charges	(0.78)%	(15.17)%
Other information		
Closing net asset value	£2,591,769	£5,004,773
Closing number of shares	3,079,137	5,899,608
Operating charges (p.a.)	0.75%	0.87%
Direct transaction costs (p.a.)	0.06%	0.20%
Prices		
Highest published share price	91.17	106.47
Lowest published share price	75.54	81.03

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

HERIOT GLOBAL SMALLER COMPANIES FUND, COMPARATIVE TABLE (CONTINUED)

A Income Shares	1 Jun 2022 to 31 May 2023	27 Sep 2021 to 31 May 2022
	(pence per share)	(pence per share)
Change in net assets per share		
Opening net asset value per share	84.14	100.00
Return before operating charges*	(0.06)	(14.56)
Operating charges	(0.83)	(0.70)
Return after operating charges*	(0.89)	(15.26)
Distributions on income shares	(0.99)	(0.60)
Closing net asset value per share	82.26	84.14
* after direct transaction costs of:	0.05	0.12
Performance		
Return after charges	(1.06)%	(15.26)%
Other information		
Closing net asset value	£274,135	£148,604
Closing number of shares	333,250	176,606
Operating charges (p.a.)	0.95%	1.07%
Direct transaction costs (p.a.)	0.06%	0.20%
Prices		
Highest published share price	90.40	106.45
Lowest published share price	74.92	80.88

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

HERIOT GLOBAL SMALLER COMPANIES FUND, COMPARATIVE TABLE (CONTINUED)

A Accumulation Shares	1 Jun 2022 to 31 May 2023	27 Sep 2021 to 31 May 2022
	(pence per share)	(pence per share)
Change in net assets per share		
Opening net asset value per share	84.72	100.00
Return before operating charges*	0.05	(14.57)
Operating charges	(0.81)	(0.71)
Return after operating charges*	(0.76)	(15.28)
Distributions	(1.00)	(0.60)
Retained distributions on accumulation shares	1.00	0.60
Closing net asset value per share	83.96	84.72
* after direct transaction costs of:	0.05	0.13
Performance		
Return after charges	(0.90)%	(15.28)%
Other information		
Closing net asset value	£2,153,292	£5,640,076
Closing number of shares	2,564,524	6,657,184
Operating charges (p.a.)	0.95%	1.07%
Direct transaction costs (p.a.)	0.06%	0.20%
Prices		
Highest published share price	91.02	106.45
Lowest published share price	75.43	80.93

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

HERIOT GLOBAL SMALLER COMPANIES FUND, COMPARATIVE TABLE (CONTINUED)

I Accumulation Shares	14 Dec 2022¹ to 31 May 2023 (pence per share)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges*	1.33
Operating charges	(0.19)
Return after operating charges*	1.14
Distributions	(0.65)
Retained distributions on accumulation shares	0.65
Closing net asset value per share	101.14
* after direct transaction costs of:	0.03
Performance	
Return after charges	1.14%
Other information	
Closing net asset value	£4,863,479
Closing number of shares	4,808,620
Operating charges (p.a.)	0.50%
Direct transaction costs (p.a.)	0.06%
Prices	
Highest published share price	108.64
Lowest published share price	95.37

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

¹Share class was launched on 14th December 2022

HERIOT GLOBAL SMALLER COMPANIES FUND, STATEMENT OF TOTAL RETURNFor the year ended 31 May 2023

		01.06.22 to	27.09.21 to
		31.05.23	31.05.22
	Note	£	£
Income			
Net capital losses	2	(208,921)	(1,976,810)
Revenue	3	144,815	84,809
Expenses	4	(80,387)	(77,543)
Interest payable and similar charges	6	<u>(231)</u>	<u>(60)</u>
Net revenue before taxation		64,197	7,206
Taxation	5	<u>(16,187)</u>	<u>(8,699)</u>
Net revenue/(expense) after taxation		<u>48,010</u>	<u>(1,493)</u>
Total loss before distributions		(160,911)	(1,978,303)
Distributions	6	(127,293)	(75,930)
Change in net assets attributable to shareholders from investment activities		<u>(288,204)</u>	<u>(2,054,233)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERSFor the year ended 31 May 2023

		01.06.22 to	27.09.21 to
		31.05.23	31.05.22
	Note	£	£
Opening net assets attributable to shareholders		11,166,486	-
<i>Movements due to sales and repurchases of shares:</i>			
Amounts receivable on issue of shares		8,659,279	13,273,486
Amounts payable on cancellation of shares		<u>(9,421,166)</u>	<u>(127,266)</u>
		(761,887)	13,146,220
Dilution levy		7,086	-
Change in net assets attributable to shareholders from investment activities		(288,204)	(2,054,233)
Retained distributions on accumulation shares	6	120,163	74,499
Closing net assets attributable to shareholders		<u>10,243,644</u>	<u>11,166,486</u>

HERIOT GLOBAL SMALLER COMPANIES FUND, BALANCE SHEETAs at 31 May 2023

	Note	31.05.23	31.05.22
		£	£
Assets:			
Fixed Assets:			
Investments		9,999,401	10,786,659
Current Assets:			
Debtors	7	15,817	57,154
Cash and bank balances	8	251,504	346,130
Total assets		10,266,722	11,189,943
Liabilities:			
Creditors			
Distribution payable on income shares	6	4,276	3,274
Other creditors	9	18,802	20,183
Total liabilities		23,078	23,457
Net assets attributable to shareholders		10,243,644	11,166,486

HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2023

1. Accounting policies**(a) Basis of accounting**

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014, and amended in June 2017.

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

(b) Functional Currency

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

(c) Recognition of revenue

Dividends on holdings, net of any irrecoverable tax credits, are recognised when the underlying transferable security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

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

(d) Treatment of stock dividends

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

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

(e) Treatment of expenses

All expenses, net of any associated tax effect, are allocated to the capital account with the exception of bank interest and transaction charges relating to the payment of revenue, which are allocated to the revenue account on an accrual basis.

(f) Allocation of revenue and expenses to multiple share classes

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

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

1. Accounting policies (continued)

(g) Taxation/deferred taxation

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

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

(h) Distribution policy

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

(i) Exchange rates

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

(j) Financial instruments

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

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

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

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

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**For the year ended 31 May 2023

2. Net capital losses

	01.06.22 to 31.05.23	27.09.21 to 31.05.22
	£	£
Non-derivative securities	(180,144)	(2,250,976)
Currency (losses)/ gains	(25,297)	274,171
Transaction charges	(3,483)	-
CSDR penalties	5	-
Market associated costs	(2)	(5)
Net capital losses	<u>(208,921)</u>	<u>(1,976,810)</u>

3. Revenue

	01.06.22 to 31.05.23	27.09.21 to 31.05.22
	£	£
UK franked dividends	33,876	16,212
Overseas dividends	105,233	67,924
Franked income currency (losses)/gains	(44)	9
Bank interest	5,831	-
Unfranked income currency (losses)/gains	(81)	664
Total revenue	<u>144,815</u>	<u>84,809</u>

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

4. Expenses

	01.06.22 to 31.05.23	27.09.21 to 31.05.22
	£	£
Payable to the ACD, associates of the ACD and agents of either:		
Annual management charge	53,882	57,300
Registration fees	4,674	2,301
Administration fees	1,925	1,946
	<u>60,481</u>	<u>61,547</u>
Payable to the Depositary, associates of the Depositary and agents of either:		
Depositary's fees	5,981	3,922
Safe custody fees	2,229	1,972
	<u>8,210</u>	<u>5,894</u>
Other expenses:		
Audit fee	7,500	6,600
Tax fee	3,600	3,240
FCA fee	96	79
Other expenses	500	183
	<u>11,696</u>	<u>10,102</u>
Total expenses	<u>80,387</u>	<u>77,543</u>
	31.05.23	31.05.22
	£	£
Fees payable to the company auditor for the audit of the company's financial statements:		
Total audit fee	<u>7,500</u>	<u>6,600</u>
Total non audit fees - Tax compliance services	<u>3,600</u>	<u>3,240</u>

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

5. Taxation

(a) Analysis of the charge in the period

	01.06.22 to 31.05.23	27.09.21 to 31.05.22
	£	£
Analysis of charge in the period		
Overseas tax	16,187	8,699
Total current tax for the period (see note 5(b))	16,187	8,699
Deferred tax (see note 5(c))	-	-
Total taxation for the period	16,187	8,699

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

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

	01.06.22 to 31.05.23	27.09.21 to 31.05.22
	£	£
Net revenue before taxation	64,197	7,206
Corporation tax at 20%	12,839	1,441
Effects of:		
Revenue not subject to taxation	(27,813)	(16,829)
Excess expenses for which no relief taken	14,974	15,388
Overseas taxation	16,187	8,699
Current tax charge for the period (see note 5(a))	16,187	8,699

(c) Provision for deferred tax

As at 31 May 2023 the Fund had surplus management expenses of £151,808 (31 May 2022: £76,939). The deferred tax in respect of this would be £30,362 (31 May 2022: £15,388). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end (see note 5(a)).

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

6. Distributions

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

	01.06.22 to 31.05.23 £	27.09.21 to 31.05.22 £
Interim - Income	3,089	69
Final - Income	<u>4,276</u>	<u>3,274</u>
	7,365	3,343
Interim - Accumulation	57,151	8,024
Final - Accumulation	<u>63,012</u>	<u>66,475</u>
	120,163	74,499
Add: Revenue deducted on cancellation of shares	3,077	219
Deduct: Revenue received on issue of shares	<u>(3,312)</u>	<u>(2,131)</u>
Net distribution for the period	<u>127,293</u>	<u>75,930</u>
Interest	231	60
Total finance costs	<u>127,524</u>	<u>75,990</u>
Reconciliation to net distribution for the period		
Net revenue after taxation for the year	48,010	(1,493)
Expenses allocated to capital, net of tax relief	<u>79,283</u>	<u>77,423</u>
Net distribution for the period	<u>127,293</u>	<u>75,930</u>

Details of the distributions per share are set out in the Distribution Tables on page 73.

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**For the year ended 31 May 2023

7. Debtors

	31.05.23	31.05.22
	£	£
Amounts receivable for issue of shares	6,632	42,810
Accrued revenue	6,824	12,280
Income tax recoverable	2,361	2,064
Total debtors	15,817	57,154

8. Cash and bank balances

	31.05.23	31.05.22
	£	£
Cash and bank balances	251,504	346,130
Total cash and bank balances	251,504	346,130

9. Other creditors

	31.05.23	31.05.22
	£	£
Amounts payable for cancellation of shares	1	-
Accrued managers fees	5,331	7,251
Accrued registration fees	433	354
Accrued administration fees	115	232
Accrued depositary fees	388	404
Accrued custody fees	1,358	1,972
Accrued audit fees	7,500	6,600
Accrued tax fees	3,600	3,240
Accrued FCA fees	76	79
Debit interest payable	-	51
Total creditors	18,802	20,183

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

10. Related party transactions

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

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at 31 May 2023 there was one shareholder, Suffolk Life Trustees Limited, who held shares equal to approximately 44.9% of the Fund's total net asset value.

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

11. Share classes

The Fund currently has five share classes. The following table shows a breakdown of the change in shares in issue of each share class in the period:

	B Income
Opening shares at the start of the year	442,750.000
Total creation of shares in the year	16,000.00
Total cancellation of shares in the year	(21,500.000)
Closing shares at the end of the year	437,250.000

	A Income
Opening shares at the start of the year	176,606.344
Total creation of shares in the year	186,589.573
Total cancellation of shares in the year	(29,945.734)
Closing shares at the end of the year	333,250.183

	B Accumulation
Opening shares at the start of the year	5,899,608.279
Total creation of shares in the year	186,746.296
Total cancellation of shares in the year	(3,007,217.322)
Closing shares at the end of the year	3,079,137.253

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

11. Share classes (continued)

	A Accumulation
Opening shares at the start of the year	6,657,184.010
Total creation of shares in the year	1,513,626.300
Total cancellation of shares in the year	(5,606,286.558)
Closing shares at the end of the year	<u>2,564,523.752</u>

	I Accumulation
Opening shares at the start of the year	-
Total creation of shares in the year	7,062,589.783
Total cancellation of shares in the year	(2,253,969.527)
Closing shares at the end of the year	<u>4,808,620.256</u>

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

A Accumulation Shares	0.85% p.a.
A Income Shares	0.85% p.a.
B Accumulation Shares	0.65% p.a.
B Income Shares	0.65% p.a.
I Accumulation Shares	0.40% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Comparative Tables on pages 51 to 55. The distributions per share class are given in the Distribution Tables on page 73. All share classes have the same rights on winding up.

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

12. Risk management policies

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

(a) Currency exposures

The Fund's financial assets are invested in equities and other transferrable securities whose prices are quoted in various different currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 31 May 2023			Net foreign currency assets at 31 May 2022		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Australian Dollar	-	387	387	6	468	474
Canadian Dollar	-	184	184	-	161	161
Danish Krone	-	72	72	1	147	148
Euro	-	1,720	1,720	-	1,935	1,935
Hong Kong Dollar	-	78	78	-	186	186
Japanese Yen	-	1,501	1,501	181	1,527	1,708
Norwegian Krone	-	194	194	1	298	299
Swedish Krona	-	501	501	5	643	648
Swiss Franc	1	1,146	1,147	-	808	808
US Dollar	-	2,216	2,216	7	2,879	2,886

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £726,477 (31 May 2022: £821,754). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the fund would have increased by £887,916 (31 May 2022: £1,004,366). These calculations assume all other variables remain constant. The Investment Manager employs no specific policy to manage currency risk.

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

12. Risk management policies (continued)

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

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

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

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not bearing interest £'000	Floating rate financial liabilities £'000	Financial liabilities not bearing interest £'000	Total £'000
31.05.23						
Australian Dollar	-	-	387	-	-	387
Canadian Dollar	-	-	184	-	-	184
Danish Krone	-	-	72	-	-	72
Euro	-	-	1,720	-	-	1,720
Hong Kong Dollar	-	-	78	-	-	78
Japanese Yen	-	-	1,501	-	-	1,501
Norwegian Krone	-	-	194	-	-	194
Sterling	251	-	2,016	-	(23)	2,244
Swedish Krona	-	-	501	-	-	501
Swiss Franc	1	-	1,146	-	-	1,147
US Dollar	-	-	2,216	-	-	2,216
31.05.22						
Australian Dollar	6	-	468	-	-	474
Canadian Dollar	-	-	161	-	-	161
Danish Krone	1	-	147	-	-	148
Euro	-	-	1,935	-	-	1,935
Hong Kong Dollar	-	-	186	-	-	186
Japanese Yen	181	-	1,527	-	-	1,708
Norwegian Krone	1	-	298	-	-	299
Sterling	145	-	1,792	-	(23)	1,914
Swedish Krona	5	-	643	-	-	648
Swiss Franc	-	-	808	-	-	808
US Dollar	7	-	2,879	-	-	2,886

12. Risk management policies (continued)

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

Short term debtors and creditors are included as financial assets and liabilities not interest bearing in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not interest bearing mainly comprise investments that do not have a maturity date.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

(c) Liquidity risk

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

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

(e) Market price risk

The Fund's underlying investments are in securities quoted on recognised stock exchanges or traded on regulated markets. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

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

If the value of shares in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £999,940 (31 May 2022: £1,078,666). This calculation assumes all other variables remain constant.

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

(f) Fair value of financial assets and liabilities

Basis of Valuation	INVESTMENT ASSETS	
	31 May 2023	31 May 2022
	£	£
Level 1: Quoted Prices	9,999,401	10,786,659
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	9,999,401	10,786,659

(g) Commitments on derivatives

No derivatives were held at the balance sheet date.

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

13. Transaction costs

(a) Direct transaction costs

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

	01.06.22 to 31.05.23		27.09.21 to 31.05.22	
	£		£	
Analysis of total purchase costs				
PURCHASES				
Equities	3,382,756		13,423,281	
Net purchases before direct transaction costs	3,382,756		13,423,281	
		% of total		% of total
DIRECT TRANSACTION COSTS		purchases		purchases
Equities	4,814	0.14%	15,050	0.11%
Total direct transaction costs	4,814	0.14%	15,050	0.11%
Gross purchases total	3,387,570		13,438,331	
Analysis of total sale costs				
SALES				
Equities	3,985,441		645,564	
Gross sales before direct transaction costs	3,985,441		645,564	
		% of total		% of total
DIRECT TRANSACTION COSTS		sales		sales
Equities	(1,717)	0.04%	(223)	0.03%
Total direct transaction costs	(1,717)	0.04%	(223)	0.03%
Net sales total	3,983,724		645,341	
	01.06.22 to 31.05.23	% of	27.09.21 to 31.05.22	% of
	£ average NAV		£ average NAV	
Analysis of total direct transaction costs				
Equities	6,531	0.06%	15,273	0.14%
Total direct transaction costs	6,531	0.06%	15,273	0.14%

**HERIOT GLOBAL SMALLER COMPANIES FUND, NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

For the year ended 31 May 2023

13. Transaction costs (continued)

(b) Average portfolio dealing spread

The average portfolio dealing spread of the investments at the balance sheet date was 0.34% (31 May 2022: 0.33%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

14. Capital commitments and contingent liabilities

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

15. Post balance sheet events

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

- The B Income shares have decreased from 82.55p to 78.46p as at 18 August 2023.
- The B Accumulation shares have decreased from 84.17p to 80.00p as at 18 August 2023.
- The A Income shares have decreased from 82.26p to 78.13p as at 18 August 2023.
- The A Accumulation shares have decreased from 83.96p to 79.78p as at 18 August 2023.
- The I Accumulation shares have decreased from 101.14p to 96.18p as at 18 August 2023.

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

HERIOT GLOBAL SMALLER COMPANIES FUND, DISTRIBUTION TABLE

For the year ended 31 May 2023

Interim Distribution (30 November 2022)

Group 1 - Shares purchased on or prior to 31 May 2022

Group 2 - Shares purchased after 31 May 2022

Shares			Paid/Accumulated	Paid/Accumulated
	Revenue	Equalisation ¹	31.01.23	31.01.22
	(pence)	(pence)	(pence)	(pence)
B Income				
Group 1	0.4345	-	0.4345	0.0685
Group 2	0.4345	-	0.4345	0.0685
A Income				
Group 1	0.4337	-	0.4337	0.0685
Group 2	0.0678	0.3659	0.4337	0.0685
B Accumulation				
Group 1	0.4375	-	0.4375	0.0686
Group 2	0.4375	-	0.4375	0.0686
A Accumulation				
Group 1	0.4366	-	0.4366	0.0686
Group 2	0.2354	0.2012	0.4366	0.0686

Final Distribution (31 May 2023)

Group 1 - Shares purchased on or prior to 30 November 2022

Group 2 - Shares purchased after 30 November 2022

Shares			Paid/Accumulated	Paid/Accumulated
	Revenue	Equalisation ¹	31.07.23	31.07.22
	(pence)	(pence)	(pence)	(pence)
B Income				
Group 1	0.5557	-	0.5557	0.5286
Group 2	0.4759	0.0798	0.5557	0.5286
A Income				
Group 1	0.5540	-	0.5540	0.5284
Group 2	0.2150	0.3390	0.5540	0.5284
B Accumulation				
Group 1	0.5627	-	0.5627	0.5296
Group 2	0.4597	0.1030	0.5627	0.5296
A Accumulation				
Group 1	0.5613	-	0.5613	0.5291
Group 2	0.4262	0.1351	0.5613	0.5291
I Accumulation				
Group 1	0.6506	-	0.6506	N/A
Group 2	0.1962	0.4544	0.6506	N/A

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

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Mr M Hand
Mr M Smith
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Mr A Kerneis (Independent non-executive)
Mrs G E Mitchell (Independent non-executive)
Miss J L Kirk (Resigned 1 March 2023)
Mrs R E Elliott (Resigned 1 March 2023)

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