



# Slater Recovery Fund

## Annual Report

For the year ended 30th November 2023



Slater Investments Limited

# Directory

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## **Registered Office**

Slater Investments Limited  
Nicholas House  
3 Laurence Pountney Hill  
London  
EC4R 0EU

## **Authorised Fund Manager (AFM)**

Slater Investments Limited\*  
Nicholas House  
3 Laurence Pountney Hill  
London  
EC4R 0EU  
Telephone: (0207) 220 9460  
Fax: (0207) 220 9469

## **Administrator, Registrar and Transfer Agent**

JTC Fund Services (UK) Limited\*  
18th Floor  
The Scalpel  
52 Lime Street  
London  
EC3M 7AF

Investor Support: (0203) 893 1001

## **Custodian and Depositary**

CACEIS UK Trustee & Depositary  
Services Ltd\*  
Broadwalk House  
5 Appold Street  
London  
EC2A 2DA

## **Auditor**

Azets Audit Services Limited  
Ashcombe Court  
Woolsack Way  
Godalming  
Surrey  
GU7 1LQ

**\*Authorised and regulated by the  
Financial Conduct Authority.**

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# **Authorised Status and General Information**

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## **Authorised status**

Slater Recovery Fund (the “Fund”) is an authorised unit trust scheme established by a Trust Deed dated 25 March 2002. It is a UK UCITS scheme as defined in the Collective Investment Schemes Sourcebook (COLL). The Fund is authorised and regulated by the Financial Conduct Authority with effect from 2 April 2002.

Unitholders of the Fund are not liable for the debts of the scheme.

## **Investment objective and strategy**

The investment objective of the Fund is to achieve capital growth.

The Fund will invest in companies both in the UK and overseas but concentrating mainly or, where appropriate, exclusively on UK shares. Other investments including bonds, warrants and options, within the limits imposed by the trust deed may also be used where it is considered that they meet the investment objective. It is also intended where appropriate to take advantage of underwritings and placings. At times it may be appropriate for the Fund not to be fully invested but to hold cash and near cash. The Fund has powers to borrow as specified in the COLL and may invest in derivatives and forward transactions for hedging purposes only.

Up to date key investor information documents, the full prospectus and reports and accounts for the Fund can be requested by investors at any time.

## **Value for Money Assessment**

Slater Investments Limited’s latest Value for Money Assessment can be found at:

<https://www.slaterinvestments.com/value-assessment-report/>.

## **Rights and terms attaching to each unit class**

Each unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

# **Authorised Status and General Information (Continued)**

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## **Remuneration Policy**

The Authorised Fund Manager is subject to a remuneration policy which is applicable to UK UCITS funds and is consistent with the principles outlined in the Alternative Investment Fund Managers Directive (AIFMD) and the FCA Handbook of Rules and Guidance. The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UK UCITS funds it manages.

The fixed remuneration paid by the Authorised Fund Manager to its staff in respect of all funds that it manages in the financial year ended 31 December 2022 was £1,294,010 and was shared amongst 23 members of staff. The financial year of Slater Recovery Fund ran from 1 December 2022 to 30 November 2023, whereas the financial year of Slater Investments Limited runs from 1 January to 31 December. The above figures are taken from the financial report and accounts of Slater Investments Limited for the period 1 January 2022 to 31 December 2022. The financial statements of Slater Investments Limited have been independently audited.

All 23 Authorised Fund Manager staff members were fully or partially involved in the activities of the Fund. The variable remuneration paid by the Authorised Fund Manager to its staff in respect of all funds that it manages in the financial year ended 31 December 2022 was £931,958. The Authorised Fund Manager staff remuneration is established with reference to the market remuneration of each equivalent position and is not linked to the performance of the Fund or any other fund of the Authorised Fund Manager. None of the Authorised Fund Manager's staff actions had a material impact on the risk profile of the Fund.

# **DIRECTORS' STATEMENT**

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In accordance with COLL 4.5.8BR, the annual report and the audited financial statements were approved by the Authorised Fund Manager of the Fund and authorised for issue.

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Mark Slater  
Director

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Ralph Baber  
Director



Slater Investments Limited.  
30 January 2024

# Statement of Authorised Fund Manager's Responsibilities

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The FCA's Collective Investment Schemes sourcebook ('COLL') requires the Authorised Fund Manager to prepare accounts for each annual and half-yearly accounting period, in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the financial position of the Fund and of its net revenue and the net capital gains on the property of the Fund for the year. In preparing the accounts the Authorised Fund Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the IA in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to do so;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- make judgements and estimates that are prudent and reasonable.

The Authorised Fund Manager is responsible for the management of the Fund in accordance with its trust deed, Prospectus and COLL and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

So far as the Authorised Fund Manager is aware, there is no relevant audit information of which the Group and the Fund's Auditors are unaware, and the Authorised Fund Manager has taken all the steps that he or she ought to have taken as an Authorised Fund Manager in order to make himself or herself aware of any relevant audit information and to establish that the Group and the Fund's Auditors are aware of that information.

# **Statement of Depositary’s Responsibilities In Respect of the Scheme and Report of the Depositary to the Unitholders of Slater Recovery Fund (“The Company”) For the Year Ended 30 November 2023)**

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The depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority’s Collective Investment Schemes Sourcebook (“the Sourcebook”), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), the Company’s Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers applicable to the Company.

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

(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 Sourcebook and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

CACEIS Bank UK Branch

30 November 2023



# **Independent Auditor's Report to the Unitholders of the Slater Recovery Fund**

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## **Opinion**

We have audited the financial statements of the Slater Recovery Fund (the “company”) for the year ended 30 November 2023 which comprise the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet and the notes to the annual financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2023 and of its net revenue and net capital gains or losses on the company property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in 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 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Authorised Fund Manager's (the “AFM”) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

# **Independent Auditor's Report to the Unitholders of the Slater Recovery Fund (Continued)**

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## **Conclusions relating to going concern (Continued)**

- the AFM has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **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 AFM is responsible for the other information. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## **Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook**

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

- the information given in the report of the AFM for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

# **Independent Auditor's Report to the Unitholders of the Slater Recovery Fund (Continued)**

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## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the AFM.

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

- proper accounting records for the company have not been kept; or
- the financial statements are not in agreement with those records.

## **Responsibilities of the Authorised Fund Manager**

As explained more fully in the Statement of AFM's Responsibilities set out on page 4, the AFM 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 AFM 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 AFM 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 AFM either intends to liquidate the company or to cease activity, 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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

# **Independent Auditor's Report to the Unitholders of the Slater Recovery Fund (Continued)**

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## **Auditor's responsibilities for the audit of the financial statements (Continued)**

Based on our understanding of the fund and the industry, we identified that the principal risk of non-compliance with laws and regulations related to breaches of the applicable Financial Conduct Authority regulations. We also obtained an understanding of the legal and regulatory frameworks that the fund operates in, focusing on those that had a direct effect on material figures and disclosures in the financial statements, the main regulations considered in this context included the Financial Conduct Authority including its Collective Investment Schemes Sourcebook and Conduct of Business Sourcebook.

We evaluated the incentives and opportunities for fraud in the financial statements, including, but not limited to, the risk of override of controls, and designed procedures in response to these risks as follows:

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- testing the appropriateness of journal entries and other adjustments;
- enquiring of management and the trustees concerning any non-compliance;
- review of the breaches log;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias, and.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

# **Independent Auditor's Report to the Unitholders of the Slater Recovery Fund (Continued)**

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## **Auditor's responsibilities for the audit of the financial statements (Continued)**

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>.

This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the company's shareholders, as a body, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. 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.

*Azets Audit Services Limited*

Azets Audit Services Limited  
Chartered Accountants and Tax Advisors  
Ashcombe Court  
Woolsack Way  
Godalming  
Surrey  
GU7 1LQ

Date: *31 January 2024*

# Fund Manager's Report

For the year ended 30 November 2023

| <u>Performance</u>                                 | Six Months | 1 Year | 3 Years | 5 Years | Since Launch* |
|--|------------|--------|---------|---------|---------------|
| Slater Recovery Fund P unit class                  | -3.65%     | -9.00% | +3.87%  | +37.56% | +578.15%      |
| Investment Association (IA) OE UK<br>All Companies | -0.42%     | +0.58% | +13.09% | +18.51% | +327.89%      |

\*A unit class launched 10 March 2003

## Portfolio Commentary

This has been one of the toughest years for United Kingdom (UK) smaller companies. The Alternative Investment Market (AIM) fell over 15% and completed a near-halving since its peak in 2021. To find a similar period we have to look back to the grinding bear market of 2000 to 2003 where prices fell slightly further. Little comfort as it seems at the time, we know from experience that bear markets are followed by better times.

## Major Contributors

There were four major contributors above +0.50%. The largest contributor was **Kape Technologies**. It fell to a takeover bid but not one we welcomed. Unfortunately Teddy Sagi already had a controlling shareholding so his predatory terms could not be resisted. The shares gained +19% and contributed +1.01%. Most annoying.

**Tesco** gained +26% and contributed +0.98%. Retailers like to wring their hands over rising prices but a glance at their profits shows them gaining from them. This is because their fixed costs do generally stay fixed whilst higher food costs get passed on. In the first half to August 2023, sales rose 8.9% but adjusted operating profits grew 14%. Costs such as depreciation were fixed whereas gross margins were at least maintained. Tesco also continued to buy back its shares vigorously and the average number of shares fell 4.5%. Together these factors led to a 16.8% rise in earnings per share. Easing inflation will see earnings growth slow but the consensus is for it to remain between 7% and 9% for the next couple of years, excluding the benefit of buybacks.



# Fund Manager's Report (Continued)

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For the year ended 30 November 2023

## Major Contributors (Continued)

**Sureserve** also fell to a takeover bid, this time from private equity firm Cap10 Partners, sending the shares soaring +80%. We were satisfied with the terms. It contributed +0.94%.



**SureserveGroup**

**Foresight Group** saw violent swings in share price during the year. The volatility reflected the concentration of the register, with Chairman Bernard Fairman still holding nearly 28% and volumes relatively low. Reflecting this volatility, the shares rose +20% and contributed +0.57%. News was satisfactory during the year but less good than the company hoped at the start. For instance a year ago it hoped to attract several billions from new distribution routes into the United States (US) and Europe. In the event there was almost no inflow from the US and the hoped European deal has not yet been signed. Funds under management eased 3%, to £8.8 billion, in the year to September 2023. Foresight did sign a partnership with Cromwell Funds but this has been slow to generate inflows, partly owing to logistics but also because of high interest rates. Renewable power generation may offer only 8% to 10% before fees, which was less tempting versus, say corporate bonds. Now that yield curves are pointing firmly downwards this competitive pressure may ease. But in the meantime Foresight's Private Equity division remains massively lucrative. It only accounts for 12% of assets under management (AuM) but generates 36% of earnings before interest, taxes, depreciation and amortisation (EBITDA). Assets within this division often come within high charging tax wrappers. By contrast, Infrastructure accounts for 80% of AuM but only 59% of EBITDA. The focus for infrastructure deals is moving to higher returning areas such as batteries and electrolyzers. The forward multiple is an undemanding 9.9, falling to 8.6 the following year.

# Fund Manager's Report (Continued)

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For the year ended 30 November 2023

## Major Detractors

Ten companies detracted by -0.50% or more. **Liontrust Asset Management** suffered a mauling during the bear market, falling -52% and detracting by -0.52%. Its bid for GAM, a struggling Swiss-based manager, was rejected. It would have provided a handy platform for expansion into Europe. Meantime earnings have suffered as AuM came under pressure. The rout has left the shares on a forward price-to-earnings (PE) multiple of 7.6 and a yield in double figures. The fundamentals of the business still look strong.



**Serco** detracted by -0.57% and the shares fell -9%. What went wrong? Nothing much. Admittedly the head of the Australian operation was removed in July 2023 and Chief Executive Officer (CEO) Mark Irwin took over temporarily. Serco is bidding to keep its lucrative immigration contract, which accounts for 10% of group profits. A decision is expected in March 2024. Immigration grows steadily more important, as evidenced by the purchase in December 2023 of a German company which looks after migration. This is becoming a hot button politically in many countries but the market seems to grow inexorably. A decision is expected in March 2024. Immigration grows steadily more important, as evidenced by the purchase in December 2023 of a German company which looks after migration. This is becoming a hot button politically in many countries but the market seems to grow inexorably.





# Fund Manager's Report (Continued)

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For the year ended 30 November 2023

## Major Detractors (Continued)

**Franchise Brands** is usually one of our strongest performers and we expect it to star for us in the future. But this year it detracted by -0.64% with a -19% fall. The price rallied hard until early April 2023 when it unleashed a discounted £110 million raise to fund the £200 million purchase of Pirtek Europe into a very soft stock market. Pirtek operates a network of franchises for supplying replacement hydraulic pipes at very short notice. The deal was heralded for bringing many synergies between Franchise's networks. The shares closed November 2023 on a forward multiple of 15.

**Jubilee Metals** had a difficult year, falling -55% and detracting by -0.83%. The rapidly rising adoption of electric vehicles in China has caused weakness in the prices of the platinum group metals (PGMs) used in exhaust catalysts. Jubilee makes most of its profits from extracting PGMs when it produces chrome concentrate as toll production for mining customers. Some PGM capacity may be withdrawn by other producers but this remains an uncomfortable situation. Fortunately the picture for copper in Zambia seems to be brightening decisively at last. On 15 December 2023 the company reported it has formed a partnership with International Resources Holdings (IRH) of Abu Dhabi. IRH will fund the purchase of a 350 million tonne heap of mine waste and it will also cover the \$50 million cost of the first batch of concentrators. The aim is to start producing enough 15% concentrate to produce 25k-35k tonnes of copper in the smelters. Some of this final stage processing will take place in Jubilee's own Sable refinery. The cost per tonne is expected to be around \$4,000 (versus a spot price of around \$8,000). IRH will have a 70% profit share and Jubilee will have 30%, rising to 42% owing to management and after mark ups. This is a pivotal step for the company. Early 2024 may be difficult if PGM prices weaken further but the outlook for copper is at last very strong.

**NCC** detracted by -0.84% and its price shed -43%. The year fell into two halves, with an early slide in the price climaxing in a 40% fall on 31 March 2023. This followed a warning of weak demand in the US. From July 2023 onwards the price has been steadily recovering. It emerged that NCC's cyber practice had heavy exposure to a small number of major customers in California. US companies are typically much quicker to cancel projects and sack staff than is common in Europe, where employment laws make this more expensive. Across many sectors we have seen weakness in the US echoed four to six months later in Europe. The signals are now more encouraging and NCC has begun offshoring work to its new centre in the Philippines. The shares trade on forward PE of 18 falling to 13.5.

# Fund Manager's Report (Continued)

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For the year ended 30 November 2023

## Major Detractors (Continued)

**Enerqua Technologies** fell -86% and detracted by -0.90%. This dreadful performance was because local authority customers deferred plans for installing ground source heat pumps in social housing. These systems have high upfront costs and taxpayer fatigue for green spending is becoming steadily more widespread. The company warned again on 12 December 2023 after further order deferrals. Enerqua needs to persuade its customers to accept a private finance method of funding these schemes, otherwise it will continue to struggle.

## NEXT15

**Next 15** has been a star performer for years but this year it fell -29% and detracted it by -1.15%. What went wrong? Again, nothing much. But investors became wary of the growing importance and mysterious ways of Mach49, a consultancy which reports hefty profits which are currently all being channelled to fund its earnout. Mach49 helps large corporates incubate growth businesses. It is led by people with impressive credentials but it remains very hard to value. The consensus forecast free cashflow for this year has fallen slightly over the last 24 months and net debt forecasts have risen. But overall the performance has been solid despite pressure on clients' budgets for marketing.

**i3 Energy** detracted by -1.16% after falling -53%. First half profits showed earnings per share of 0.9p, down from 1.2p in the first half of 2022. Falling gas prices are the issue here. In terms of barrels of oil equivalent the company produces about the same amount of oil and gas. But western Canada lies at the end of the pipeline network and producers receive the lowest prices. Worse again, the relentless rise in production from the shale oil fields of the Permian have also brought with them record levels of natural gas. Liquefied natural gas (LNG) capacity is being doubled in the US and Canada will also open its first unit in British Columbia next year. The trouble is that production is rising by 3% per year so it remains unclear how much price impact there will be when LNG capacity eventually doubles. It currently accounts for 10% of US output, so that even a doubling will only mop up 3 years of rising production. For i3 there should be a better price uplift given that the new Canadian plant will consume 10% of national output. Meantime i3 has been cautious about raising the pace of drilling in its large oil-only assets. This seems to be because they are quite remote and need new roads to be built. The company should be able to cover its 9% dividend even if oil averages \$60 this year and gas is at \$2.50 per metric million British thermal units.

# Fund Manager's Report (Continued)

For the year ended 30 November 2023

## Major Detractors (Continued)

**R&Q Insurance Holdings** has been a troubled investment for some time. It detracted by -1.33% and the shares fell -81%. This dire performance was despite continued rapid growth at Accredited, which acts as a conduit between local insurance and the global reinsurance market. The Board has proposed to sell Accredited to private equity and allow its CEO and Chief Financial Officer (CFO) to decamp with it. The Board argues a sale is needed to avoid a downgrade by rating agency AM Best. The deal does not appear to be in the best interests of shareholders, selling the company's prime asset on poor terms.



**Future** fell -39% and detracted by -2.00%. In December 2023 new CEO Jon Steinberg announced plans to increase overheads by £28 million per year in order to beef up its content production and its US direct sales force. In the year to September 2023 the adjusted operating profits fell by 6%. Demand for gadgets, and the advice about them, was subdued but GoCo, the price comparison business, saw revenues rise 8%. CFO Penny Ladkin-Brand announced she will be leaving in 2024. She was central to Future's record of mergers and acquisitions. Unfortunately now is the time for managing and sometimes trimming business portfolios, not expanding them. Beyond all this is the looming concern about copying by artificial intelligence. However we remain reasonably confident that Future and other media groups can protect themselves or even take advantage by way of cost-savings. The shares trade on a PE of 6 and a very high free cashflow yield.

F U T U R E

# Fund Manager's Report (Continued)

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For the year ended 30 November 2023

## Purchases & Sales

Four holdings – **Ergomed**, **Instem**, **Kape Technologies** and **Sureserve** – completed their respective takeovers and **Genagro** completed its liquidation. **Best of the Best**, **City of London Investment Group**, **dotDigital**, **GXO Logistics**, **Hutchmed (China) ADRs**, **Marston's** and **Renew** were also sold in their entirety.

**Alliance Pharma**, **Converge Technology Solutions**, **Loungers**, **NCC**, **Restore**, **STV** and **Trifast** were added to, as was **Instem** before its eventual takeover and **SSE** before being sold.

The following holdings were trimmed: **Foresight Group**, **Prudential**, **Rathbones**, **Serco**, **Team Internet Group** (formerly CentralNic) and **Tesco**.

**Ecora Resources** and **Franchise Brands** were both added to and trimmed.

## Outlook

Fixed interest rates are falling as markets see inflation fall and global growth fade. Strangely this outlook of low growth and low inflation translates into a rise in share prices because valuation multiples will increase. We believe that the value of UK stocks, particularly small and mid-cap companies, now reflect excellent value. Savage de-ratings, driven by outflows from funds and fears of recession, have created a situation where valuations now price in a great deal of bad news while other markets are priced on the basis that nothing will go wrong. The extraordinary unpopularity of the UK is dissipating as the story shifts from the UK being an economic outlier to one where the UK is in the middle of the pack.

The disconnect between public market and private market valuations is at record levels and private equity firms are now buying aggressively, one of several catalysts we expect to make 2024 a happier year for investors in UK small and mid-cap companies.

Slater Investments Limited.  
January 2024

# Fund Manager's Report (Continued)

## Distributions (pence per share)

|                             | <u>Year 2024</u> | <u>Year 2023</u> | <u>Year 2022</u> | <u>Year 2021</u> |
|-----------------------------|------------------|------------------|------------------|------------------|
| <u>Class A Accumulation</u> |                  |                  |                  |                  |
| Net income paid 31 January  | 2.1560           | -                | -                | -                |
| Net income paid 31 July     | -                | 1.3726           | -                | 0.0866           |
| <u>Class B Accumulation</u> |                  |                  |                  |                  |
| Net income paid 31 January  | 3.2807           | 1.2745           | 0.1651           | -                |
| Net income paid 31 July     | -                | 2.2912           | 0.3190           | 0.8851           |
| <u>Class P Accumulation</u> |                  |                  |                  |                  |
| Net income paid 31 January  | 3.7558           | 1.7605           | 0.7421           | -                |
| Net income paid 31 July     | -                | 2.8546           | 0.8231           | 1.3780           |

## Material portfolio changes

For the period ended 30 November 2023

| <b>Major Purchases</b>              | <b>Cost (£)</b>   | <b>Major Sales</b>              | <b>Proceeds (£)</b> |
|-------------------------------------|-------------------|---------------------------------|---------------------|
| Franchise Brands                    | 5,171,400         | Kape Technologies               | 24,016,623          |
| Instem                              | 2,309,666         | Sureserve                       | 8,258,423           |
| Loungers                            | 1,790,031         | SSE                             | 8,097,171           |
| SSE                                 | 1,398,967         | Tesco                           | 6,546,947           |
| Restore                             | 1,391,429         | Instem                          | 6,081,608           |
| Converge Technology Solutions       | 1,321,454         | Ergomed                         | 4,050,000           |
| Ecora Resources                     | 1,306,205         | Serco                           | 3,775,084           |
| Alliance Pharma                     | 911,147           | Franchise Brands                | 2,755,973           |
| Trifast                             | 690,346           | Hutchmed (China) ADR            | 1,318,535           |
| NCC                                 | 88,959            | Foresight                       | 1,263,824           |
| STV                                 | 47,652            | dotDigital                      | 969,923             |
|                                     |                   | Prudential                      | 855,967             |
|                                     |                   | Rathbones                       | 591,470             |
|                                     |                   | Best of the Best                | 587,889             |
|                                     |                   | GXO Logistics                   | 230,172             |
|                                     |                   | Marston's                       | 175,971             |
|                                     |                   | City of London Investment Group | 129,973             |
|                                     |                   | Renew Holdings                  | 93,224              |
|                                     |                   | Team Internet Group             | 18,006              |
|                                     |                   | Genagro                         | 14,829              |
|                                     |                   | Other Sales                     | 3,989               |
| <b>Total purchases for the year</b> | <b>16,427,256</b> | <b>Total sales for the year</b> | <b>69,835,601</b>   |

# Environmental, Social and Governance ("ESG") Report

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Report for the period to 30 November 2023

## Introduction

Slater Investments integrates ESG factors into its investment process to help manage risks and identify new opportunities. The ESG Committee works closely with the Company's Investment Committee to ensure that ESG-based investment analysis, alongside active and engaged stewardship, is embedded in the Company's investment process and subsequent ongoing monitoring.

For evaluating all potential and existing investments, the ESG Committee uses the Company's internal ESG investment standards, which combine the International Sustainability Standards Board's sustainability-related disclosure standards, the UN Sustainable Development Goals, an ESG materiality framework, and recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") on climate-related risks and opportunities as a starting point to understand the potential risks a company may face and to determine materiality.

The primary focus of the ESG Committee is to pre-emptively monitor ESG risks that may emerge and threaten the price-earnings ratio or earnings growth prospects of Slater Investments's investee companies. The ESG Committee regularly collaborates with investee companies, offering advice on how they can improve their ESG practices.

We seek a high standard of corporate governance from the companies in which we invest. Slater Investments believes governance is the most important of the three ESG pillars. Without effective governance, there is limited prospect of positive ESG developments and little likelihood of beneficial engagement.

For the third year in a row, Slater Investments is proud to be a [successful](#) signatory of the Financial Reporting Council's [UK's Stewardship Code](#) ("Code"). This demonstrates our commitment to embedding sustainability and ESG endeavours throughout both our investment process and the way we run our business. The Code sets high standards for asset managers and holds us accountable to 12 principles covering a range of stewardship activities and outcomes. Our latest [report](#) is available on our website.

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Introduction (Continued)

Since September 2019, Slater Investments has been a voluntary [member](#) of the United Nations-supported [Principles for Responsible Investment](#) ("PRI"), an organisation committed to responsible investment. As part of our commitment to the PRI, we fully integrate screening and monitoring of ESG issues into our investment process. We produced our first full PRI report in 2021 and we continue to report annually against the Principles. Our latest Transparency Report can be found on our [website](#).

During 2022, the Fund was categorised as Article 8 under the Sustainable Finance Disclosure Regulation ("SFDR"). SFDR requires fund managers to disclose information on various ESG indicators to investors. Reporting against the SFDR framework requires the integration of sustainability risks in fund managers' investment decision-making processes and provides transparency on sustainability within financial markets in a standardised format. Additional information can be found in Appendix 6 of the Fund's Prospectus.

The periodic disclosures, as required under Article 11 of SFDR, are set out in the Appendix I to this Report.

Additionally, for the first time in respect of the Fund, Slater Investments has taken the initiative and will also be voluntarily reporting in line with the FCA's TCFD-aligned disclosures for asset managers and owners. Although Slater Investments currently does not currently fall within scope of the FCA's mandatory reporting requirements, the Company recognises that investments within the Fund could have an impact on climate change and equally, climate change could influence the performance of investments in the Fund. The Company's view is that it is important to let investors know about potential risk the investments face and has chosen to make TCFD period disclosures.

The periodic disclosures, as required under the TCFD are set out in the Appendix II to this Report.

## Engagement

As part of our commitment to transparency, accuracy, and ongoing improvements, we revised our engagement metrics and definitions earlier this year. We refined how we define 'engagements' to be more focussed on those proactive interactions with investee companies where the primary aim is to pursue objectives predefined by the ESG Committee.



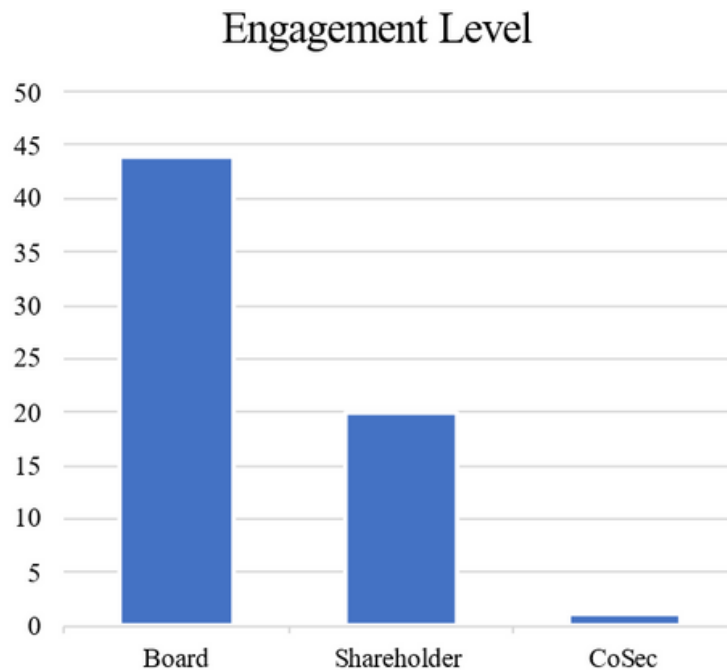
# Environmental, Social and Governance ("ESG") Report (Continued)

Report for the period to 30 November 2023

## Engagement (Continued)

This is important in distinguishing between meetings with companies where the topic of ESG is discussed and we may have input and offer guidance, but it is not the primary, predefined objective of the interaction. This change provides a more precise reflection of how we are engaging with companies.

Slater Investments engaged with company representatives of investee companies of the Fund on 65 separate occasions during the 12 months leading to 30 November 2023.



We reported in the Fund’s Interim Report on the issues and our concerns surrounding STV Plc’s (“STV”) liability-driven investing (“LDI”) strategy employed in its Defined Benefit Pension Funds. The handling of pension exposures, despite the executive team's success in managing the business, remains a point of concern. The topic of LDI was followed up in November 2023, where we met with the Chief Executive Officer (“CEO”) and Chief Financial Officer to discuss a proposed solution to address the significant pension fund exposure stemming from the LDI strategy. We are still awaiting an update and are closely monitoring the situation for further developments.



# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Engagement (Continued)

Simultaneously, in November 2023, our engagement continued with the Chair of STV's Remuneration Committee. We expressed concern about the size of the Board and the high remuneration of Non-Executive Directors, particularly considering the Trading Update issued on 9th November 2023.. The company subsequently confirmed that they regularly benchmarked data to ensure fees aligned with STV's remuneration policy.

They concluded that the current fee structure of the Non-Executive Directors was broadly aligned with fees paid to Non-Executive Directors not just in the FTSE Small Cap index but also in the bottom half of that index. They did however confirm that they were looking to reduce Board expense by cutting the number of Board members by two.

We continue to engage with the Chair of the Audit & Risk Committee ("Chair") for all the companies where we hold material positions as part of our thematic engagement. Our intention is to examine each investee company's risks to understand how they are discussed at the Board level and how much time the Board spends reviewing these risks.

In June 2023, we met the Chair of the Audit Committee at Hollywood Bowl Plc ("Hollywood Bowl"). In May 2022, Hollywood Bowl received a query from the UK Financial Reporting Council ("FRC") regarding the presentation of rent concessions & classification of cash flows in the 2021 Annual Report & Accounts. Following the late publication of the 2021 Annual Report and Accounts together with the FRC query, we conveyed our concerns to the Chair. Despite the relatively low-level impact of the amendments, there was an acknowledgment of the FRC's detailed investigation, and overall, the committee was content with the outcome of the review.

We also expressed concerns over the use of KPMG as the group's auditor as the auditor has had a number of audit issues with listed companies in recent months. The Chair noted that the relationship with KPMG has improved, especially with the change in the audit partner. Overall, current satisfaction with the auditor was expressed with the view that an auditor tender will take place no later than FY2026. We will continue to monitor this situation going forward.

In June 2023, we engaged with Next Fifteen Group Plc ("Next Fifteen") in anticipation of their Annual General Meeting ("AGM") the following month. Our predefined objectives for this engagement were centred around two subjects: firstly, the use of nil-cost options, and secondly, the workload of the Chair of the Board.

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Engagement (Continued)

Nil-cost options are a feature of the Long-Term Incentive Programme ("LTIP") element of the Remuneration Policy at Next Fifteen, and the vesting conditions of these options do not contain any link to Total Shareholder Return ("TSR"). Therefore, in our view, this Policy lacked any meaningful shareholder alignment. It was important we clearly expressed our opposition to this Policy and discussed our reasoning. Additionally, we wanted to discuss the workload of the Chair of the Board. We are highly supportive of the Chair, and we are generally supportive of Chairs and NEDs having full time external roles as we believe this brings current and real-world expertise and experience to the Board. However, there are situations where events can drastically vary the workload of a Chair, and we wanted to ensure the Board was cognisant of this. It was confirmed to us that the possibility of the Chair becoming over boarded had been considered and discussed and the Board was alert to this possibility. The structure of the LTIP had also been considered at length, as well as including TSR as a vesting condition to better align the interests of executives with shareholders, but they had chosen to go another route. We were told our views would be taken away and discussed with the respective Board members. We will monitor these issues moving forward and will continue to engage, if required, to achieve a better aligned LTIP within the Remuneration Policy at Next Fifteen.

In July 2023, Restore Plc ("Restore") announced a profit warning, and its Chief Executive Officer ("CEO") would be stepping down as CEO and Board Director and that the Senior Non-Executive Independent Director had agreed to become Interim CEO, both with immediate effect. The current Chair had also agreed to become Executive Chair also with immediate effect. After these announcements were made, Restore's share price dropped 27.8% from the previous day's closing price. We spoke the next day following the profit warning with the Interim CEO and the Chair of Restore to discuss the trading update and the board changes. The Interim CEO expressed a proactive stance and commitment to active involvement during this period of transition. In September 2023, the board announced the reappointment of Charles Skinner as the new CEO of the company at the same time confirming that the Interim CEO would remain as an Executive Director and the Chair would step down as Executive Chair and resume her previous role as Non-Executive Chair. Slater Investment continues to monitor the situation.

Our most significant engagement through 2023 was concerning a proposed restructuring by R&Q Insurance Holdings Ltd. ("R&Q") announced in October 2023.

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Engagement (Continued)

The restructure would result in the company's profitable, programme management business ("Accredited"), being sold to a private equity company, with the CEO and CFO ("CFO") also leaving with this part of the business. This would leave shareholders with the remaining, unprofitable, legacy insurance business, and losing critical incumbent executives.

We firmly opposed this proposal and had a number of concerns. Firstly, as significant shareholders, we were disappointed and surprised not to have been consulted on this prior to its announcement to the market. The proposed restructure clearly raised serious concerns about what would remain for shareholders, to not be consulted on this was, in our view, poor practice. We were also concerned that alternative options had not been properly considered.

More broadly we felt the Board had not adequately fulfilled their responsibility to shareholders. We did not feel that shareholder value had been adequately represented by the Board, and poor engagement and communication displayed poor governance practice.

We further felt there were conflicts of interest present in this restructuring. We felt that the fact the executives were moving with Accredited proposed conflicts of interest between shareholders and the executives.

The decision to divest Accredited was driven by concerns raised by the Board regarding a likely credit rating downgrade which would occur should the restructuring not take place. It was proposed that the restructure would provide cash proceeds sufficient to sure up R&Q's debt position. The Board proposed this restructuring was in the best interest of shareholders and protecting shareholder value. It became clear to us that this was misguided as the share price fell c.80% in the days following the announcement of the restructuring.

We quickly began engaging with the Board, and other shareholders to advocate for greater shareholder scrutiny and involvement in the process. This was somewhat complicated because of the nature of financial interests in R&Q from different shareholders. Some proportion of the share capital was owned by managers who also had a debt interest in R&Q. This presented some misalignment in interests between shareholders and further conflicts of interests.

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Engagement (Continued)

This further disadvantaged equity shareholders in representing their interests as, it is our opinion, that the debt holders' interests were closer aligned with an approval of the restructuring. However, we were able to achieve significant collaborative engagement with other shareholders. Through collaborative engagement we voiced significant apprehensions about the proposed sale and its potential implications. We advocated for a thorough exploration of strategic alternatives, including potential divestitures, partnerships, and restructuring initiatives. We emphasised the importance of evaluating all options to maximise shareholder value and ensure the company's long-term competitiveness. We highlighted the need for seasoned leadership to navigate the complexities of the restructuring process and drive value creation.

The outcome of this engagement with R&Q remains fluid and subject to ongoing developments with the restructuring being put to Shareholders at a General Meeting to be held in January 2024. Shareholders, including Slater Investments, continue to monitor developments closely and advocate for actions that prioritise long-term value creation and financial stability.

Following its challenging first half results, published in November 2023, we held a meeting with Marlowe Plc ("Marlowe"). Discussions with the Chairman of Marlowe focused on governance and company strategy, primarily centred around transparency, ongoing M&A, and rising debt. Marlowe had invested £426m in 36 acquisitions since April 2021 and we were keen to reiterate our view that the company must be cautious to ensure this significant number of acquisitions does not come at the detriment of operational efficiency.

It is important that leadership has the ability to balance different strategic targets, and when this is not achieved, it is critical to understand and rectify the situation. The Chairman was mindful of the views we raised, and the meeting concluded with the expectation of further engagement in due course.

We continued our thematic engagement as we met with the Chair of the Audit Committee of Serco Group Plc ("Serco") in June 2023. Serco is a very mature business with, in our view, highly developed risk management and reporting functions. The main subjects of our focus for this meeting were the company's external auditor, and the separation of the Audit and Risk Committees. The Chair explained the separation of the Audit and Risk Committees was due to workload and a desire to be as comprehensive as possible.

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Engagement (Continued)

Serco is a business with heightened exposure to a number of risks. The company has chosen to separate the Audit and Risk Committees, which is uncommon, but allows for a more focussed approach to risk management. We discussed the company's external auditor and the delay to full year results which took place in February 2023. The Chair explained that changes to the audit process were to be trialled through the half year audit process, which should benefit the audit process going forward. We will meet with the company in due course to assess the results of these changes.

We reported in the Fund's Interim Report on an ongoing engagement with Serco focussed on their remuneration policy. We had met with the Chair of the Remuneration Committee where we discussed areas of the policy which we felt could be improved on. Through this engagement we had expressed our opposition to nil-cost options, and impressed upon the Chair of the Remuneration Committee that we would like to see better alignment with shareholders achieved through the remuneration policy. The remuneration policy will require renewed shareholder approval in 2024. We will engage with the company in due course to discuss how they have considered addressing our points in their formulation of the new policy, and if necessary, reiterate our unwillingness to support remuneration policies which use nil-cost options.

In June 2023 we also met with the chair of the Audit Committee at Devolver Digital Inc ("Devolver"). Devolver listed relatively recently and this was our first engagement with the Audit Chair. These meetings are most impactful with newly listed companies who are still building out their risk management and reporting functions. We identified two primary objectives prior to the meeting, including understanding how they consider their principal risks, and how they account for the significant nil-paid options they award. In discussing the principal risks, we were reassured that the company adequately considers and monitors these risks, though we did note that this should translate to more comprehensive reporting on the principal risks. The second objective of this meeting was based on the accounting of the nil-cost options. The value of nil-cost options awarded by Devolver is material to the business, and therefore it is important for the company to clearly communicate how these are accounted for to allow investors to properly value the company. We discussed this with the Chair and it was acknowledged that better communication from the company was needed on this subject. Overall, this was positive but characteristic of a less mature business, still working on building out these functions. We will continue to monitor this closely and engage again in due course if required.

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Engagement (Continued)

Through 2023 we continued our collaborative engagement regarding Alliance Pharma Plc. The company has been facing a number of challenges; a long running Competition and Markets Authority investigation (and subsequent appeal) into the company, issues with their most successful product being counterfeited in China and the loss of a significant discount store account for another of their main products. We felt these issues had exposed weaknesses at the Board and executive level. We continued to engage with shareholders prior to the company's Annual General Meeting ("AGM") in May 2023 to discuss the prevailing challenges for the company. The company's 2023 AGM clearly displayed shareholder dissatisfaction with the Board and its decision-making with six votes receiving more than 20% votes against.

Following the AGM, we met with the recently appointed Chair of the Board where she was keen to listen and absorb shareholder feedback off the back of the disappointing AGM. We reiterated our concerns to the new Chair and expressed our disappointment that we did not consider they have been given due care and attention by the Board under its previous leadership. In our view, had they have been considered more seriously sooner, it is possible the company could have avoided the disappointing AGM vote. We also discussed areas we would like to see the company focus on, primarily reducing the debt and prioritising operational deliverables. We continue to engage with the company, and fellow shareholders, to discuss how shareholder value can be maximised.

In September 2023, we met with the Senior Independent Director ("SID") of Liontrust Asset Management Plc ("Liontrust"). The subject of discussion included the long tenure of the company's Chairman, Board changes and the use of nil-cost options in remuneration policies. Earlier in the year, two Liontrust directors had resigned citing the Chairman's 12-year tenure. Under the UK's Corporate Governance Code, which the company applies in part, it recommends that the tenure limit for Chairs of Boards should be limited to nine years. In response to not being aligned with the Code, the Board undertook a review of the Chairman's tenure led by the SID to help reduce shareholder concerns. The SID explained that the decision to keep the Chair came after Liontrust made two acquisitions in quick succession and as the Board underwent changes, it was important to keep him for continuity during the period. Following this meeting we decided to vote in favour of the Chairman at the company's September 2023 AGM and will continue to monitor the situation going forward.



# Environmental, Social and Governance ("ESG") Report (Continued)

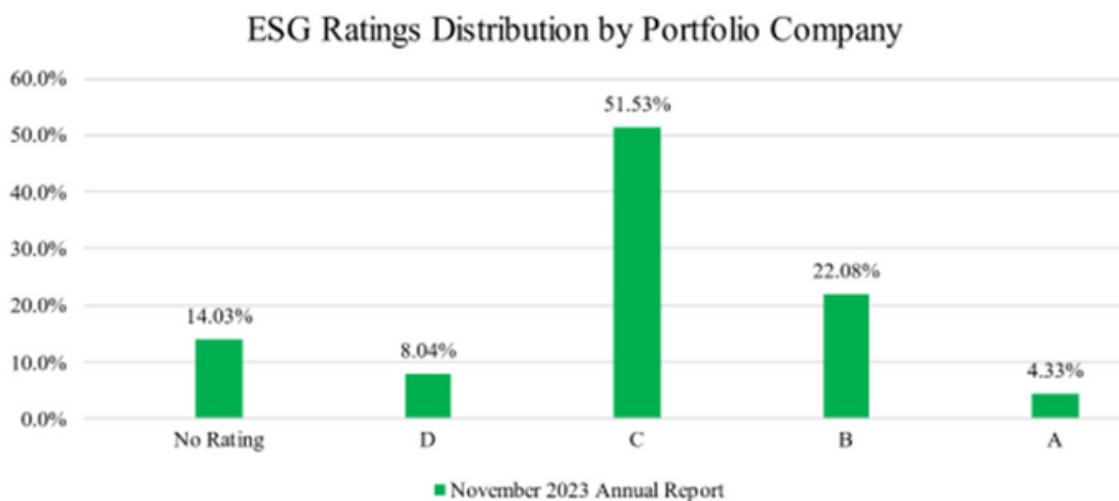
Report for the period to 30 November 2023

## Engagement (Continued)

In November 2023, we met the new Chair of Trifast Plc (“Trifast”). This was an introductory meeting following the retirement of the previous Chairman after 14 years of service. It has been a turbulent period for Trifast which we reported on in the Fund’s Interim Report. We discussed the arrival of the newly appointed permanent CEO, with the interim CEO moving to become Head of Strategic Transformation.

More broadly we discussed the direction of travel for the company. The Chair has identified certain key issues that required addressing and will work towards improving the company’s outlook. We continue to monitor the situation.

## ESG Scoring



The chart above illustrates the distribution of the ESG ratings of the Fund’s investee companies as of 30 November 2023.

In our previous reports, we assessed and presented companies' ESG scores using a rating system, ranging from A to D. These ratings were assigned to each company independently, and we provided the percentage distribution of companies in each rating category, such as 20% with A ratings, 10% with B ratings, 30% with C ratings, and 30% with D ratings.

In our updated approach, we have transitioned to a more nuanced method of evaluating and presenting ESG scores. Instead of assigning static ratings, we now base the presentation on the weight of each company held at the Fund level.

# Environmental, Social and Governance ("ESG") Report (Continued)

Report for the period to 30 November 2023

## ESG Scoring (Continued)

This means that the percentage distribution of ESG scores now reflects the composition of our portfolio, providing a more accurate representation of the impact of these scores on our overall holdings. For instance, we now show what percentage of our portfolio is allocated to companies with A ESG scores, B scores, C scores, and D scores. This approach allows for a more comprehensive understanding of the Fund's ESG exposure and how it aligns with our sustainability goals.

This updated method enhances the transparency and relevance of our ESG reporting, ensuring that our stakeholders have better insight into the significance of these scores in the context of the Company's investment portfolio.

## Voting

Exercising our voting rights is the most powerful tool we have. It is the most definitive way in which we can hold companies accountable. All proxy votes for our investee companies are assessed by the ESG Committee. We do not subscribe to, nor do we receive, voting recommendations from third-party voting services, though we do however listen to them and consider their recommendations in instances where they engage with us.

The below table gives a summary of all of Slater Investments's voting instructions across the Fund's portfolio companies during the twelve months to 30 November 2023.

|  |     |
|--|-----|
| <b>Meetings</b>  |     |
| Total number of meetings voted at                              | 79  |
| Total number of resolutions voted on                           | 953 |
| Number of resolutions where we voted with management           | 678 |
| Number of resolutions where we voted against management        | 275 |
| Number of resolutions where we abstained                       | 0   |
| Number of resolutions where we voted against our voting policy | 11  |



# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Voting (Continued)

Of Slater Investments' votes against management recommendations:

- 36.73% related to the disapplication of pre-emptive rights;
- 22.18% related to the power for Directors to allot shares;
- 17.82% related to (Non-)Executive Director remuneration;
- 13.82% related to the (re-)election of (Non-)Executive Directors;
- 4.36% related to the request to make political donations;
- 1.82% related to Long Term Incentive Plans
- 1.45% related to amendments of Articles of Association;
- 1.09% related to Employee (ex Director) Remuneration; and
- 0.73% related to specified corporate events.

There were seven notable meetings during the period where Slater Investments voted against its Voting Policy.

In the case of Avation PLC ("Avation"), this situation represented the culmination of positive engagement in the prior year. In November 2021, Slater Investments had voted against resolutions proposed by Avation in relation to the authorisation for directors to issue equity and do so without pre-emptive rights. Before this, in October 2021, in a meeting with a non-executive director ("NED"), and member of the Audit Committee at Avation, Slater Investments outlined the view that, in line with its voting policy, directors should not have blanket permission to issue equity, especially when pre-emption rights were disapplied. We emphasised to the company that providing an accompanying proposal outlining the reasons for any equity issuance would allow all shareholders to make an informed decision on such matters. At Avation's AGM in December 2022, resolutions were proposed granting authority to the directors to allot shares without pre-emptive rights.

In line with our previous discussion with the company, they included an accompanying use of proceeds section. We considered the issuance and accompanying use of proceeds section to be in the best interest of shareholders and, therefore, voted in favour of the respective resolutions, which was against our voting policy.

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Voting (Continued)

These resolutions were subsequently passed. Slater Investments was pleased with the results of this engagement which had resulted in giving all shareholders the ability to better evaluate the equity issuance resolutions. We continue to stress the importance of such practices to other investee companies and hope to see more of this in the future.

- Avation PLC – Authority to allot shares ([link](#)).

Franchise Brands PLC (“Franchise Brands”) utilises nil-cost options as a part of its Remuneration Policy. In accordance with our voting policy we would generally oppose the re-election of the Chair of the Remuneration Committee of any company which utilises nil-cost options as part of its Remuneration Policy. However, in the case of Franchise Brands, it became clear to us that the company has made meaningful effort to ensure it uses nil-cost options in a way which is measured and retains shareholder alignment. The nil-cost element of share awards is only present as a part of a matching scheme where the director is required to purchase an equal number of shares to those being granted and is awarded nil-cost shares only if performance targets are met. After ESG committee discussions, it was concluded that we were satisfied the use of nil-cost options within the Remuneration Policy is sufficiently restrained and adequately aligns shareholders and executives. We therefore voted against our voting policy and in favour of the resolution to re-elect the Chair of the Remuneration Committee.

- Franchise Brands – Re-election of the Chair of the Remuneration Committee. ([link](#)).

In the case of Liontrust, the resolution was considered at a general meeting in connection with the proposed acquisition of GAM Holding AG by Liontrust. We considered the issuance and accompanying use of proceeds section to be in the best interest of shareholders and therefore voted in favour of the respective resolution, which was against our Voting Policy.

- Liontrust Asset Management Plc – Authority to allot shares ([link](#))

# Environmental, Social and Governance ("ESG") Report (Continued)

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Report for the period to 30 November 2023

## Voting (Continued)

For the remaining two meetings, the resolutions related to: authorising the board to allot shares, and to do so without pre-emption rights. Slater Investments felt that in both cases the proposed resolutions were in the best interest of the respective companies. Therefore, we voted against our voting policy and in favour of the resolutions.

- Sureserve Group Plc – Authority to allot shares, and without pre-emption rights. ([link](#))
- Franchise Brands Plc – Authority to allot shares, and without pre-emption rights. ([link](#))
- Renew Holding Plc – Authority to allot shares ([link](#))
- Rathbones – Authority to allot shares ([link](#))

Our up-to-date Voting Policy can be found on our [website](#), along with a complete archive of our voting history.

**Slater Investments ESG**

January 2024

# Fund Information

## Comparative tables

| <b>Class A accumulation units</b>        | <b>Year to</b>  | <b>Year to</b>  | <b>Year to</b>  |
|--|-----------------|-----------------|-----------------|
| <b>Change in net assets per unit</b>     | <b>30.11.23</b> | <b>30.11.22</b> | <b>30.11.21</b> |
|  | <b>Pence</b>    | <b>Pence</b>    | <b>Pence</b>    |
| Opening net asset value per unit         | 331.99          | 392.20          | 293.11          |
| Return before operating charges*         | (30.70)         | (54.57)         | 104.72          |
| Operating charges                        | (5.16)          | (5.63)          | (5.63)          |
| Return after operating charges*          | (35.86)         | (60.21)         | 99.09           |
| Gross distribution on accumulation units | (3.53)          | -               | 0.09            |
| Accumulation distributions reinvested    | 3.53            | -               | (0.09)          |
| Closing net asset value per unit         | 296.13          | 331.99          | 392.20          |
| *after direct transaction costs of       | 0.04            | 0.41            | 0.69            |
| <b>Performance</b>                       |                 |                 |                 |
| Return after charges                     | (10.80)%        | (15.35)%        | 33.80%          |
| <b>Other information</b>                 |                 |                 |                 |
| Closing net asset value                  | £5,209,642      | £10,952,591     | £12,862,020     |
| Closing number of units                  | 1,759,218       | 3,299,044       | 3,279,450       |
| Operating charges                        | 1.60%           | 1.54%           | 1.51%           |
| Direct transaction costs                 | 0.01%           | 0.11%           | 0.19%           |
| <b>Prices</b>                            |                 |                 |                 |
| Highest unit price                       | 356.26          | 417.12p         | 411.18p         |
| Lowest unit price                        | 281.03          | 314.28p         | 297.72p         |
| <b>Class B accumulation units</b>        | <b>Year to</b>  | <b>Year to</b>  | <b>Year to</b>  |
| <b>Change in net assets per unit</b>     | <b>30.11.23</b> | <b>30.11.22</b> | <b>30.11.21</b> |
|  | <b>Pence</b>    | <b>Pence</b>    | <b>Pence</b>    |
| Opening net asset value per unit         | 349.46          | 410.71          | 305.46          |
| Return before operating charges*         | (32.38)         | (57.35)         | 109.23          |
| Operating charges                        | (3.63)          | (3.90)          | (3.98)          |
| Return after operating charges*          | (36.01)         | (61.25)         | 105.25          |
| Gross distribution on accumulation units | (5.57)          | (1.59)          | (1.05)          |
| Accumulation distributions reinvested    | 5.57            | 1.59            | 1.05            |
| Closing net asset value per unit         | 313.45          | 349.46          | 410.71          |
| *after direct transaction costs of       | 0.04            | 0.43            | 0.74            |
| <b>Performance</b>                       |                 |                 |                 |
| Return after charges                     | (10.31)%        | (14.91)%        | 34.45%          |
| <b>Other information</b>                 |                 |                 |                 |
| Closing net asset value                  | £4,251,417      | £7,365,145      | £5,886,824      |
| Closing number of units                  | 1,356,368       | 2,107,598       | 1,433,326       |
| Operating charges                        | 1.07%           | 1.03%           | 1.03%           |
| Direct transaction costs                 | 0.01%           | 0.11%           | 0.19%           |
| <b>Prices</b>                            |                 |                 |                 |
| Highest unit price                       | 375.34          | 436.99p         | 430.06p         |
| Lowest unit price                        | 297.29          | 330.60p         | 310.31p         |

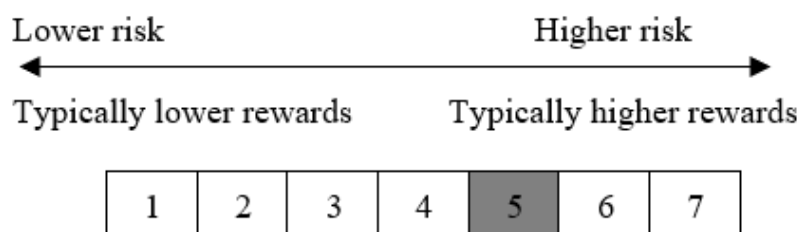
# Fund Information (Continued)

## Comparative tables (Continued)

| <b>Class P accumulation units</b>        | <b>Year to</b>  | <b>Year to</b>  | <b>Year to</b>  |
|--|-----------------|-----------------|-----------------|
| <b>Change in net assets per unit</b>     | <b>30.11.23</b> | <b>30.11.22</b> | <b>30.11.21</b> |
|  | <b>Pence</b>    | <b>Pence</b>    | <b>Pence</b>    |
| Opening net asset value per unit         | 358.31          | 420.09          | 311.61          |
| Return before operating charges*         | (33.29)         | (58.72)         | 111.54          |
| Operating charges                        | (2.82)          | (3.06)          | (3.06)          |
| Return after operating charges*          | (36.11)         | (61.78)         | 108.48          |
| Gross distribution on accumulation units | (6.61)          | (2.58)          | (2.12)          |
| Accumulation distributions reinvested    | 6.61            | 2.58            | 2.12            |
| Closing net asset value per unit         | 322.20          | 358.31          | 420.09          |
| *after direct transaction costs of       | 0.04            | 0.44            | 0.71            |
| <b>Performance</b>                       |                 |                 |                 |
| Return after charges                     | (10.08)%        | (14.71)%        | 34.81%          |
| <b>Other information</b>                 |                 |                 |                 |
| Closing net asset value                  | £249,107,248    | £426,000,074    | £382,304,574    |
| Closing number of units                  | 77,315,314      | 118,892,038     | 91,006,034      |
| Operating charges                        | 0.81%           | 0.78%           | 0.76%           |
| Direct transaction costs                 | 0.01%           | 0.11%           | 0.18%           |
| <b>Prices</b>                            |                 |                 |                 |
| Highest unit price                       | 385.01          | 447.09p         | 439.62p         |
| Lowest unit price                        | 305.54          | 338.87p         | 316.58p         |

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the year. Direct transaction costs are the total charges for the year, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the weighted average net asset value over the year and the weighted average units in issue for the pence per unit figures.

## Synthetic risk and reward indicator



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 5 because it has experienced moderate to high volatility historically.

# Fund Information (Continued)

## Portfolio statement

as at 30 November 2023

| Holding or<br>nominal value                 |  | Bid<br>value<br>£ | Percentage of<br>total net assets |                |
|---|--|-------------------|-----------------------------------|----------------|
|   |  |                   | 30 Nov'23<br>%                    | 30 Nov'22<br>% |
| <b>ADVERTISING</b>                          |  |                   |                                   |                |
| 1,603,501                                   | Next 15                                | 11,930,047        | 4.61                              |                |
|   | Total Advertising                      | 11,930,047        | 4.61                              | 3.77           |
| <b>AGRICULTURAL PRODUCTS &amp; SERVICES</b> |  |                   |                                   |                |
| 12,612                                      | BrasilAgro                             | 48,293            | 0.02                              |                |
|   | Total Agricultural Products & Services | 48,293            | 0.02                              | -              |
| <b>APPLICATION SOFTWARE</b>                 |  |                   |                                   |                |
|   | Total Application Software             | -                 | -                                 | 0.30           |
| <b>ASSET MANAGEMENT &amp; CUSTODY BANKS</b> |  |                   |                                   |                |
| 200,000                                     | Brooks Macdonald                       | 3,840,000         | 1.48                              |                |
| 2,251,710                                   | Foresight                              | 9,092,332         | 3.52                              |                |
| 948,517                                     | JTC                                    | 7,000,055         | 2.71                              |                |
| 432,697                                     | Liontrust Asset Management             | 2,321,419         | 0.90                              |                |
| 2,540,000                                   | Premier Miton                          | 1,524,000         | 0.59                              |                |
| 266,371                                     | Rathbones                              | 4,235,299         | 1.64                              |                |
|   | Total Asset Management & Custody Banks | 28,013,105        | 10.84                             | 7.63           |
| <b>BROADCASTING</b>                         |  |                   |                                   |                |
| 3,478,991                                   | STV                                    | 6,714,453         | 2.60                              |                |
|   | Total Broadcasting                     | 6,714,453         | 2.60                              | 2.01           |
| <b>BUILDING PRODUCTS</b>                    |  |                   |                                   |                |
| 1,357,920                                   | Eneraqua Technologies                  | 583,906           | 0.23                              |                |
|   | Total Building Products                | 583,906           | 0.23                              | 0.95           |
| <b>CASINOS &amp; GAMING</b>                 |  |                   |                                   |                |
|   | Total Casinos & Gaming                 | -                 | -                                 | 0.10           |
| <b>CONSTRUCTION &amp; ENGINEERING</b>       |  |                   |                                   |                |
|   | Total Construction & Engineering       | -                 | -                                 | 0.02           |
| <b>CONSTRUCTION MATERIALS</b>               |  |                   |                                   |                |
| 1,727,340                                   | Breedon                                | 5,976,597         | 2.31                              |                |
| 7,111,411                                   | SigmaRoc                               | 3,377,920         | 1.31                              |                |
|   | Total Construction Materials           | 9,354,517         | 3.62                              | 2.06           |

# Fund Information (Continued)

## Portfolio statement (Continued)

as at 30 November 2023

| Holding or<br>nominal value                    |   | Bid<br>value<br>£ | Percentage of<br>total net assets |                |
|--|---|-------------------|-----------------------------------|----------------|
|  |   |                   | 30 Nov'23<br>%                    | 30 Nov'22<br>% |
| <b>DISTRIBUTORS</b>                            |   |                   |                                   |                |
| 864,080  | Supreme                                   | 1,062,818         | 0.41                              |                |
| 2,524,921                                      | Ultimate Products                         | 3,711,634         | 1.44                              |                |
| 3,051,452                                      | Anglo Pacific                             | 2,721,895         | 1.05                              |                |
|  | Total Distributors                        | <u>7,496,347</u>  | <u>2.90</u>                       | <u>1.02</u>    |
| <b>DIVERSIFIED SUPPORT SERVICES</b>            |   |                   |                                   |                |
| 2,936,290                                      | Inspired                                  | 1,703,048         | 0.66                              |                |
| 1,557,294                                      | Restore                                   | 3,426,047         | 1.33                              |                |
|  | Total Diversified Support Services        | <u>5,129,095</u>  | <u>1.99</u>                       | <u>2.15</u>    |
| <b>ELECTRIC UTILITIES</b>                      |   |                   |                                   |                |
|  | Total Electric Utilities                  | <u>-</u>          | <u>-</u>                          | <u>1.73</u>    |
| <b>ELECTRONIC COMPONENTS</b>                   |   |                   |                                   |                |
| 2,420,000                                      | TT Electronics                            | 3,581,600         | 1.39                              |                |
|  | Total Electronic Components               | <u>3,581,600</u>  | <u>1.39</u>                       | <u>0.91</u>    |
| <b>ENVIRONMENTAL &amp; FACILITIES SERVICES</b> |   |                   |                                   |                |
| 14,536,949                                     | Serco                                     | 22,746,274        | 8.80                              |                |
|  | Total Environmental & Facilities Services | <u>22,746,274</u> | <u>8.80</u>                       | <u>6.59</u>    |
| <b>FOOD RETAIL</b>                             |   |                   |                                   |                |
| 3,964,999                                      | Tesco                                     | 11,328,002        | 4.38                              |                |
|  | Total Food Retail                         | <u>11,328,002</u> | <u>4.38</u>                       | <u>3.28</u>    |
| <b>HEALTH CARE FACILITIES</b>                  |   |                   |                                   |                |
| 121,087  | CVS                                       | 1,801,775         | 0.70                              |                |
|  | Total Health Care Facilities              | <u>1,801,775</u>  | <u>0.70</u>                       | <u>0.55</u>    |
| <b>HEALTH CARE TECHNOLOGY</b>                  |   |                   |                                   |                |
|  | Total Health Care Technology              | <u>-</u>          | <u>-</u>                          | <u>0.58</u>    |
| <b>HOMEBUILDING</b>                            |   |                   |                                   |                |
| 954,667  | MJ Gleeson                                | 4,219,628         | 1.63                              |                |
|  | Total Homebuilding                        | <u>4,219,628</u>  | <u>1.63</u>                       | <u>0.77</u>    |



# Fund Information (Continued)

## Portfolio statement (Continued)

as at 30 November 2023

| Holding or<br>nominal value                                 |  | Bid<br>value<br>£ | Percentage of<br>total net assets |                |
|---|--|-------------------|-----------------------------------|----------------|
|   |  |                   | 30 Nov'23<br>%                    | 30 Nov'22<br>% |
| <b>INDUSTRIAL MACHINERY &amp; SUPPLIES &amp; COMPONENTS</b> |  |                   |                                   |                |
| 5,221,239   | Trifast  | 3,853,274         | 1.49                              |                |
|   | Total Industrial Machinery & Supplies & Components | 3,853,274         | 1.49                              | 0.57           |
| <b>INTERACTIVE HOME ENTERTAINMENT</b>                       |  |                   |                                   |                |
| 3,765,091   | Devolver Digital                                   | 715,367           | 0.28                              |                |
| 560,000   | tinyBuild  | 33,600            | 0.01                              |                |
|   | Total Interactive Home Entertainment               | 748,967           | 0.29                              | 0.69           |
| <b>INTERNET SERVICES &amp; INFRASTRUCTURE</b>               |  |                   |                                   |                |
| 11,418,103  | Team Internet (formerly CentralNic)                | 13,861,577        | 5.36                              |                |
| 236,605   | Iomart   | 385,666           | 0.15                              |                |
|   | Total Internet Services & Infrastructure           | 14,247,243        | 5.51                              | 7.87           |
| <b>INVESTMENT BANKING &amp; BROKERAGE</b>                   |  |                   |                                   |                |
| 3,573,214   | FRP Advisory                                       | 4,502,250         | 1.74                              |                |
|   | Total Investment Banking & Brokerage               | 4,502,250         | 1.74                              | 1.32           |
| <b>IT CONSULTING &amp; OTHER SERVICES</b>                   |  |                   |                                   |                |
| 1,417,886   | Converge Technologies Solutions                    | 3,247,571         | 1.26                              |                |
| 486,783   | Kin & Carta  | 499,439           | 0.19                              |                |
| 3,987,772   | NCC  | 4,833,180         | 1.87                              |                |
| 2,836,533   | Redcentric   | 3,545,666         | 1.37                              |                |
|   | Total IT Consulting & Other Services               | 12,125,856        | 4.69                              | 3.51           |
| <b>LEISURE FACILITIES</b>                                   |  |                   |                                   |                |
| 2,712,394   | Hollywood Bowl                                     | 7,228,530         | 2.80                              |                |
| 1,338,782   | Ten Entertainment                                  | 4,016,346         | 1.55                              |                |
|   | Total Leisure Facilities                           | 11,244,876        | 4.35                              | 2.02           |
| <b>LIFE &amp; HEALTH INSURANCE</b>                          |  |                   |                                   |                |
| 1,330,000   | Prudential   | 11,475,240        | 4.44                              |                |
|   | Total Life & Health Insurance                      | 11,475,240        | 4.44                              | 3.15           |
| <b>LIFE SCIENCES TOOLS &amp; SERVICES</b>                   |  |                   |                                   |                |
|   | Total Life Sciences Tools & Services               | -                 | -                                 | 0.89           |

# Fund Information (Continued)

## Portfolio statement (Continued)

as at 30 November 2023

| Holding or<br>nominal value                       |  | Bid<br>value<br>£ | Percentage of<br>total net assets |                |
|---|--|-------------------|-----------------------------------|----------------|
|   |  |                   | 30 Nov'23<br>%                    | 30 Nov'22<br>% |
| <b>MOVIES &amp; ENTERTAINMENT</b>                 |  |                   |                                   |                |
| 1,533,392   | LBG Media                                | 1,303,383         | 0.50                              |                |
|   | Total Movies & Entertainment             | 1,303,383         | 0.50                              | 0.20           |
| <b>OIL &amp; GAS EXPLORATION &amp; PRODUCTION</b> |  |                   |                                   |                |
| 45,452,207  | i3 Energy                                | 4,654,306         | 1.80                              |                |
|   | Total Oil & Gas Exploration & Production | 4,654,306         | 1.80                              | 2.22           |
| <b>PERSONAL CARE PRODUCTS</b>                     |  |                   |                                   |                |
| 4,383,822   | Venture Life                             | 1,446,661         | 0.56                              |                |
|   | Total Personal Care Products             | 1,446,661         | 0.56                              | 0.26           |
| <b>PHARMACEUTICALS</b>                            |  |                   |                                   |                |
| 12,069,559  | Alliance Pharma                          | 4,658,850         | 1.80                              |                |
| 266,780   | Hutchmed (China)                         | 805,676           | 0.31                              |                |
|   | Total Pharmaceuticals                    | 5,464,526         | 2.11                              | 1.41           |
| <b>PRECIOUS METALS &amp; MINERALS</b>             |  |                   |                                   |                |
| 52,895,000  | Jubilee Metals                           | 2,697,645         | 1.04                              |                |
|   | Total Precious Metals & Minerals         | 2,697,645         | 1.04                              | 1.36           |
| <b>PUBLISHING</b>                                 |  |                   |                                   |                |
| 1,449,999   | Future                                   | 12,339,491        | 4.77                              |                |
| 4,243,125   | Reach                                    | 3,029,591         | 1.17                              |                |
|   | Total Publishing                         | 15,369,082        | 5.94                              | 5.64           |
| <b>REAL ESTATE OPERATING COMPANIES</b>            |  |                   |                                   |                |
| 925,135   | IWG                                      | 1,321,093         | 0.51                              |                |
|   | Total Real Estate Operating Companies    | 1,321,093         | 0.51                              | 0.33           |
| <b>REINSURANCE</b>                                |  |                   |                                   |                |
| 10,519,346  | R&Q Insurance Holdings                   | 1,230,763         | 0.48                              |                |
|   | Total Reinsurance                        | 1,230,763         | 0.48                              | 1.48           |

# Fund Information (Continued)

## Portfolio statement (Continued)

as at 30 November 2023

| Holding or<br>nominal value                          |   | Bid<br>value<br>£ | Percentage of<br>total net assets |                |
|--|---|-------------------|-----------------------------------|----------------|
|  |   |                   | 30 Nov'23<br>%                    | 30 Nov'22<br>% |
| <b>RESEARCH &amp; CONSULTING SERVICES</b>            |   |                   |                                   |                |
| 5,674,084  | Begbies Traynor                                 | 6,525,197         | 2.52                              |                |
| 776,773  | Elixirr International                           | 3,573,156         | 1.38                              |                |
| 2,092,491  | Fintel  | 4,394,231         | 1.70                              |                |
| 1,044,221  | Marlowe   | 3,915,829         | 1.51                              |                |
|  | Total Research & Consulting Services            | 18,408,413        | 7.11                              | 4.71           |
| <b>RESTAURANTS</b>                                   |   |                   |                                   |                |
| 2,543,188  | Loungers  | 5,696,741         | 2.20                              |                |
|  | Total Restaurants                               | 5,696,741         | 2.20                              | 0.76           |
| <b>SPECIALIZED CONSUMER SERVICES</b>                 |   |                   |                                   |                |
| 7,235,420  | Franchise Brands                                | 10,997,838        | 4.25                              |                |
|  | Total Specialized Consumer Services             | 10,997,838        | 4.25                              | 2.55           |
| <b>STEEL</b>   |   |                   |                                   |                |
|  | Total Steel                                     | -                 | -                                 | 0.69           |
| <b>TRADING COMPANIES &amp; DISTRIBUTORS</b>          |   |                   |                                   |                |
| 550,454  | Avation   | 688,068           | 0.27                              |                |
| 730,000  | Flowtech Fluidpower                             | 569,400           | 0.22                              |                |
| 6,171,518  | Lords Group Trading                             | 3,085,759         | 1.19                              |                |
|  | Total Trading Companies & Distributors          | 4,343,227         | 1.68                              | 1.35           |
| <b>TRANSACTION &amp; PAYMENT PROCESSING SERVICES</b> |   |                   |                                   |                |
| 1,166,667  | Fonix Mobile                                    | 2,228,334         | 0.86                              |                |
|  | Total Transaction & Payment Processing Services | 2,228,334         | 0.86                              | 0.51           |
|  | <b>Portfolio of investments</b>                 | 246,306,760       | 95.26                             | 77.91          |
|  | <b>Net current assets</b>                       | 12,261,548        | 4.74                              | 22.09          |
|  | <b>Net assets</b>                               | 258,568,308       | 100                               | 100            |

# Annual Financial Statements

For the period ended 30 November 2023

## Statement of total return

|  | Notes | 30 November 2023   |                     | 30 November 2022   |                     |
|--|-------|--------------------|---------------------|--------------------|---------------------|
|  |       | £                  | £                   | £                  | £                   |
| <b>Income</b>  |       |                    |                     |                    |                     |
| Net capital (loss)/gains   | 4     |                    | (46,468,288)        |                    | (86,082,603)        |
| Revenue  | 6     | 10,031,014         |                     | 7,168,425          |                     |
| Expenses   | 7     | <u>(3,130,010)</u> |                     | <u>(3,871,686)</u> |                     |
| Net revenue before taxation  |       | 6,901,004          |                     | 3,296,739          |                     |
| Taxation   | 8     | <u>(4,215)</u>     |                     | <u>(1,242)</u>     |                     |
| Net revenue after taxation   |       |                    | <u>6,896,789</u>    |                    | <u>3,295,497</u>    |
| <b>Total return before distributions</b>   |       |                    | (39,571,499)        |                    | (82,787,106)        |
| Distributions  | 9     |                    | (6,894,641)         |                    | (3,306,490)         |
| <b>Change in net assets attributable to unitholders from investment activities</b> |       |                    | <u>(46,466,140)</u> |                    | <u>(86,093,596)</u> |

## Statement of changes in net assets attributable to unitholders

|   | 30 November 2023     |                    | 30 November 2022    |                    |
|---|----------------------|--------------------|---------------------|--------------------|
|   | £                    | £                  | £                   | £                  |
| <b>Opening net assets attributable to unitholders</b>                       |                      | 444,317,810        |                     | 401,053,418        |
| Amounts receivable on issue of units  | 17,622,239           |                    | 200,118,514         |                    |
| Amounts payable on cancellation of units                                    | <u>(163,338,865)</u> |                    | <u>(74,342,000)</u> |                    |
| Amounts receivable on unit class conversions                                | 553                  |                    | 1,183               |                    |
| Dilution adjustments  | <u>232,396</u>       |                    | <u>416,570</u>      |                    |
|   |                      | (145,483,677)      |                     | 126,194,267        |
| Change in net assets attributable to unitholders from investment activities |                      | (46,466,140)       |                     | (86,093,596)       |
| Retained distributions on accumulation units                                |                      | 6,200,315          |                     | 3,163,721          |
| <b>Closing net assets attributable to unitholders</b>                       |                      | <u>258,568,308</u> |                     | <u>444,317,810</u> |

# Annual Financial Statements (Continued)

For the period ended 30 November 2023

## Balance sheet

|   | Notes | 30 November 2023 |                    | 30 November 2022  |                    |
|---|-------|------------------|--------------------|-------------------|--------------------|
|   |       | £                | £                  | £                 | £                  |
| <b>ASSETS</b>                                 |       |                  |                    |                   |                    |
| <b>Fixed Assets</b>                           |       |                  |                    |                   |                    |
| Investments                                   |       |                  | 246,306,760        |                   | 346,161,874        |
| <b>Current Assets</b>                         |       |                  |                    |                   |                    |
| Debtors                                       | 10    | 6,919,826        |                    | 1,182,360         |                    |
| Cash  | 11    | <u>7,705,423</u> |                    | <u>97,576,653</u> |                    |
| Total current assets                          |       |                  | <u>14,625,249</u>  |                   | <u>98,759,013</u>  |
| Total assets                                  |       |                  | <u>260,932,009</u> |                   | <u>444,920,887</u> |
| <b>LIABILITIES</b>                            |       |                  |                    |                   |                    |
| <b>Current liabilities</b>                    |       |                  |                    |                   |                    |
| Creditors                                     | 12    | <u>2,363,701</u> |                    | <u>603,077</u>    |                    |
| Total liabilities                             |       |                  | <u>2,363,701</u>   |                   | <u>603,077</u>     |
| <b>Net assets attributable to unitholders</b> |       |                  | <u>258,568,308</u> |                   | <u>444,317,810</u> |

# Notes to the Annual Financial Statements

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**For the period ended 30 November 2023**

## **1. Accounting Policies**

### **a. Basis of preparation**

The financial statements have been prepared in compliance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

### **b. Going concern**

The Authorised Fund Manager has at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

### **c. Revenue**

Dividends from equities are recognised when the security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

In the case of an ordinary stock dividend the whole amount is recognised as revenue. In the case of an enhanced stock dividend, the value of the enhancement, calculated as the amount by which the total market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is treated as capital. The balance is treated as revenue.

### **d. Expenses**

All expenses are accounted for on an accruals basis and, other than those relating to the purchase and sale of investments and dealing in the units of the scheme, are charged against income as shown in these accounts.

# **Notes to the Annual Financial Statements (Continued)**

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**For the period ended 30 November 2023**

## **1. Accounting Policies (Continued)**

### e. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SoTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

#### Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of a deferred tax asset is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SoTR. Deferred tax assets and liabilities are offset when the Fund has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### f. Valuation of investments

The investments of the Fund have been valued at their fair value using closing bid prices on the last business day of the accounting period. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the Authorised Fund Manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the Authorised Fund Manager's best estimate of a fair and reasonable value for that investment. The fair value excludes any element of accrued interest.



# **Notes to the Annual Financial Statements (Continued)**

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**For the period ended 30 November 2023**

## **1. Accounting Policies (Continued)**

### **g. Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net capital gains/(losses) for the period.

### **h. Cash**

Cash includes deposits held on call with banks.

### **i. Financial assets**

The Authorised Fund Manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Fund's financial instruments.

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

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of units, accrued income and cash, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or un-collectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SoTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

# **Notes to the Annual Financial Statements (Continued)**

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**For the period ended 30 November 2023**

## **1. Accounting Policies (Continued)**

### **j. Financial liabilities**

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

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of units and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Fund's obligations are discharged, cancelled, or they expire.

### **k. Dilution adjustments**

The Authorised Fund Manager may require a dilution adjustment on the subscription or redemption of units if, in its opinion, the existing unitholders (for purchases) or the remaining unitholders (for redemptions) might otherwise be adversely affected. The dilution adjustment is carried out whereby the Authorised Fund Manager may adjust the price of units being subscribed for or being redeemed on any given dealing day. The single price of the units can be adjusted either higher or lower at the discretion of the Authorised Fund Manager. Any dilution adjustment included in the price applied to either a subscription or redemption of units is applied to all transactions in the relevant unit class during the relevant period and all transactions in that unit class during the relevant period will be dealt at the same price which includes the dilution adjustment.

Examples of situations where a dilution adjustment may be applied include when there are net inflows or outflows from the Fund on any given day exceeding 0.25% of the Net Asset Value of the Fund, where the Fund is in continual decline or in any other case where the Authorised Fund Manager is of the opinion that the interests of unitholders require the application of a dilution adjustment.

# **Notes to the Annual Financial Statements (Continued)**

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**For the period ended 30 November 2023**

## **2. Distribution Policies**

### **a. Basis of distribution**

The policy of the Fund is to distribute any net revenue shown as such in the Statement of Total Return adjusted for any dealing expenses incurred and allocated to capital. Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.

### **b. Apportionment of multiple share classes**

The Authorised Fund Manager's periodic charge is directly attributable to individual unit classes. All other income and expenses are allocated to the unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the income or expenses are recognised.

### **c. Equalisation**

Equalisation applies only to units purchased during the period. It is the average amount of income included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the units for UK capital gains tax purposes.

## **3. Risk Management Policies**

In pursuing its investment objective as stated on page 1, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities, together with cash, debtors and creditors that arise directly from its operations, for example, in respect of securities sold receivable and securities purchased payable, amounts receivable for issues and payable for cancellations and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the Authorised Fund Manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

# **Notes to the Annual Financial Statements (Continued)**

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**For the period ended 30 November 2023**

## **3. Risk Management Policies (Continued)**

### **Market price risk**

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

### **Foreign currency risk**

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

The Authorised Fund Manager has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income received in foreign currency, into sterling on the day of receipt.

### **Credit risk**

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 responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Authorised Fund Manager as an acceptable counterparty.

# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 3. Risk Management Policies (Continued)

### Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

### Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the Authorised Fund Manager.

## 4. Net Capital (Loss)/Gains

|   | 30 November 2023    | 30 November 2022    |
|---|---------------------|---------------------|
|   | £                   | £                   |
| The net (loss)/gains on investments during the year comprise: |                     |                     |
| Non-derivative securities                                     | (46,220,796)        | (86,077,898)        |
| Currency gains  | (246,712)           | 13                  |
| Transaction charges   | (780)               | (4,718)             |
| <b>Net capital (loss)/gains</b>                               | <u>(46,468,288)</u> | <u>(86,082,603)</u> |

# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 5. Purchases, Sales and Transaction Costs

|   | 30 November 2023<br>£    | 30 November 2022<br>£     |
|---|--------------------------|---------------------------|
| Purchases excluding transaction costs   | 16,396,692               | 169,477,687               |
| Corporate actions   | -                        | -                         |
|   | <u>16,396,692</u>        | <u>169,477,687</u>        |
| Commissions   | 12,936                   | 137,309                   |
| Taxes and other charges   | 17,628                   | 401,635                   |
| Total purchase transaction costs  | <u>30,564</u>            | <u>538,944</u>            |
| <b>Purchases including transaction costs</b>  | <b><u>16,427,256</u></b> | <b><u>170,016,631</u></b> |
| <br>  |                          |                           |
| Commissions   | 0.08%                    | 0.08%                     |
| Taxes and other charges   | 0.11%                    | 0.24%                     |
| <br>  |                          |                           |
| Sales excluding transaction costs   | 69,835,168               | 34,834,387                |
| Corporate actions   | 14,829                   | -                         |
|   | <u>69,849,997</u>        | <u>34,834,387</u>         |
| Commissions   | (14,310)                 | (1,035)                   |
| Taxes and other charges   | (86)                     | (8)                       |
| Total sale transaction costs  | <u>(14,396)</u>          | <u>(1,043)</u>            |
| <b>Sales net of transaction costs</b>   | <b><u>69,835,601</u></b> | <b><u>34,833,344</u></b>  |
| <br>  |                          |                           |
| Commissions   | 0.02%                    | 0.00%                     |
| Taxes and other charges   | 0.00%                    | 0.00%                     |
| <br>  |                          |                           |
| Total purchases and sales transaction costs expressed as a percentage of the weighted average net asset value over the year:  | <u>0.01%</u>             | <u>0.11%</u>              |
| <br>  |                          |                           |
| <b>Transaction handling charges</b>   |                          |                           |
| These are total charges payable to the depositary in respect of each transaction.   | <u>780</u>               | <u>4,718</u>              |
| <br>  |                          |                           |
| <b>Average portfolio dealing spread</b>   |                          |                           |
| This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price. |                          |                           |
| Average portfolio dealing spread at the balance sheet date  | <u>1.24%</u>             | <u>1.44%</u>              |

# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 6. Revenue

|                      | 30 November 2023<br>£ | 30 November 2022<br>£ |
|----------------------|-----------------------|-----------------------|
| UK dividends         | 7,263,194             | 6,499,219             |
| Overseas dividends   | 1,131,539             | 283,095               |
| Bank interest        | 1,636,281             | 386,111               |
| <b>Total revenue</b> | <u>10,031,014</u>     | <u>7,168,425</u>      |

## 7. Expenses

|  | 30 November 2023<br>£ | 30 November 2022<br>£ |
|--|-----------------------|-----------------------|
| Payable to the AFM or associates:<br>AFM's periodic charge | <u>2,958,589</u>      | <u>3,692,389</u>      |
| Payable to the trustee or associates:<br>Trustee's fees    | 16,246                | 17,138                |
| Safe Custody fees  | <u>93,172</u>         | <u>101,256</u>        |
|  | <u>109,418</u>        | <u>118,394</u>        |
| Other expenses:<br>Financial Conduct Authority Fee         | 130                   | 203                   |
| Audit fee  | 9,720                 | 7,200                 |
| Other expenses   | <u>52,153</u>         | <u>53,500</u>         |
|  | <u>62,003</u>         | <u>60,903</u>         |
| <b>Total expenses</b>                                      | <u>3,130,010</u>      | <u>3,871,686</u>      |

## 8. Taxation

|   | 30 November 2023<br>£ | 30 November 2022<br>£ |
|---|-----------------------|-----------------------|
| Analysis of the tax charge for the year       |                       |                       |
| UK Corporation tax at 20% (2022: 20%)         | -                     | -                     |
| Overseas tax                                  | <u>4,215</u>          | <u>1,242</u>          |
| <b>Total tax charge</b>                       | <u>4,215</u>          | <u>1,242</u>          |
| Factors affecting the tax charge for the year |                       |                       |
| Net revenue before taxation                   | <u>6,901,004</u>      | <u>3,296,739</u>      |
| Corporation tax at 20% (2022: 20%)            | 1,380,201             | 659,348               |
| Effects of:                                   |                       |                       |
| Revenue not subject to taxation               | (1,678,947)           | (1,356,463)           |
| Unrelieved excess management expenses         | 298,746               | 697,115               |
| Overseas tax                                  | <u>4,215</u>          | <u>1,242</u>          |
| <b>Current tax charge</b>                     | <u>4,215</u>          | <u>1,242</u>          |

At 30 November 2023, the Fund has deferred tax assets of £3,200,732 (2022: £2,901,987) arising from surplus management expenses which have not been recognised due to uncertainty over the availability of future taxable profits.



# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 9. Distributions

|   | 30 November 2023<br>£ | 30 November 2022<br>£ |
|---|-----------------------|-----------------------|
| The distributions take account of revenue received or deducted on the issue of units and revenue deducted or received on the cancellation of units, and comprise: |                       |                       |
| Interim - Income to May   | 3,209,230             | 1,043,776             |
| Final - Income to November  | 2,986,272             | 2,119,944             |
| Equalisation deducted on cancellation of units  | 738,233               | 252,462               |
| Equalisation added on issue of units  | (39,094)              | (110,875)             |
| Equalisation (receivable)/payable on unit class conversions   | -                     | 1,183                 |
| <b>Distributions</b>  | <u>6,894,641</u>      | <u>3,306,490</u>      |
| Distributions represented by:   |                       |                       |
| Net revenue after taxation  | 6,896,789             | 3,295,497             |
| Add: Revenue deficit for the year – Class A Unit class<br>(2022: Class A unit class)  | -                     | 12,613                |
| Balance brought forward   | 2,549                 | 929                   |
| Balance carried forward   | (4,697)               | (2,549)               |
|   | <u>6,894,641</u>      | <u>3,306,490</u>      |

Details of the distribution per unit are set out in the distribution table in note 17.

## 10. Debtors

|                                       | 30 November 2023<br>£ | 30 November 2022<br>£ |
|---------------------------------------|-----------------------|-----------------------|
| Amounts receivable for issue of units | 240                   | 1,038,030             |
| Accrued income                        | 303,157               | 141,790               |
| Securities sold receivable            | 6,616,381             | -                     |
| Prepaid expenses                      | 48                    | 2,540                 |
| <b>Total debtors</b>                  | <u>6,919,826</u>      | <u>1,182,360</u>      |

## 11. Cash

|                   | 30 November 2023<br>£ | 30 November 2022<br>£ |
|-------------------|-----------------------|-----------------------|
| GBP cash account  | <u>7,705,423</u>      | <u>97,576,653</u>     |
| <b>Total cash</b> | <u>7,705,423</u>      | <u>97,576,653</u>     |

# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 12. Creditors

|   | 30 November 2023<br>£ | 30 November 2022<br>£ |
|---|-----------------------|-----------------------|
| Securities purchased payable              | -                     | 327,116               |
| Amounts payable for cancellation of units | 2,333,712             | 253,667               |
| Accrued expenses                          | 29,989                | 22,294                |
| <b>Total creditors</b>                    | <u>2,363,701</u>      | <u>603,077</u>        |

## 13. Related Parties

Slater Investments Limited (the 'AFM') is regarded as a related party by virtue of having the ability to act in respect of the operations of the Fund.

Management fees paid to Slater Investments Limited for the year amounted to £2,958,589 (2022: £3,692,389). No amounts were due and payable at the year end to Slater Investments Limited (2022: £nil).

The aggregate monies received by the AFM through the issue of units and paid on cancellation of units are disclosed in the statement of changes in net assets attributable to unitholders. Amounts outstanding at year end for the issue of units is £240 (2022: £1,038,030), amounts payable at year end for units redeemed total £2,333,712 (2022: £253,667).

As at the year end the AFM, Directors of the AFM and Northglen Investments Limited, parent of the AFM, held units in the Fund as follows:

| Investor   | % Holdings       |                  |
|--|------------------|------------------|
|  | 30 November 2023 | 30 November 2022 |
| Proportion of class P units owned by Slater Investments Limited                  | 0.09%            | 0.06%            |
| Proportion of class P units owned by Northglen Investments Limited               | 4.18%            | 2.72%            |
| Proportion of class P units owned by directors beneficially and non-beneficially | 1.33%            | 0.85%            |

# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 14. Unitholders' Funds

The Fund currently has three unit classes: Class A (minimum investment £3,000); Class B (minimum investment £100,000); and Class P (minimum investment £5,000,000). The annual management charges are 1.5%, 1% and 0.75% respectively.

During the year the Authorised Fund Manager has issued or cancelled units as set out below:

| Accumulation units                         | Class A   | Class B   | Class P      |
|--|-----------|-----------|--------------|
| Opening units in issue at 1 December 2022  | 3,299,044 | 2,107,598 | 118,892,038  |
| Units issued                               | 247,469   | 55,220    | 4,428,620    |
| Units cancelled                            | (796,819) | (798,443) | (46,927,278) |
| Unit conversions                           | (990,476) | (8,007)   | 921,934      |
| Closing units in issue at 30 November 2023 | 1,759,218 | 1,356,368 | 77,315,314   |

## 15. Risk Disclosures

### Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and the net assets by £12,315,338 (2022: £17,308,094). A five per cent decrease would have an equal and opposite effect.

### Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

|   |                        |                               |                  |
|---|------------------------|-------------------------------|------------------|
| Foreign currency exposure at 30 November 2023 | <b>Investments (£)</b> | <b>Net current assets (£)</b> | <b>Total (£)</b> |
| United States Dollar                          | 48,293                 | -                             | 48,293           |
| Canadian Dollar                               | 3,247,571              | -                             | 3,247,571        |
| Foreign currency exposure at 30 November 2022 | <b>Investments (£)</b> | <b>Net current assets (£)</b> | <b>Total (£)</b> |
| United States Dollar                          | 1,095,983              | -                             | 1,095,983        |
| Canadian Dollar                               | 3,128,814              | -                             | 3,128,814        |

# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 15. Risk Disclosures (Continued)

### Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the United States Dollar would have the effect of increasing the return and net assets of the Fund by £2,415 (2022: £54,799 ). A five per cent increase would have the equal and opposite effect.

A five per cent decrease in the value of sterling relative to the Canadian Dollar would have the effect of increasing the return and net assets of the Fund by £162,379 (2022: £156,440 ). A five per cent increase would have the equal and opposite effect.

### Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

|                  | 30 November 2023<br>£ | 30 November 2022<br>£ |
|------------------|-----------------------|-----------------------|
| Creditors        |                       |                       |
| Less than 1 year | 2,363,701             | 603,077               |
| <b>Total</b>     | <b>2,363,701</b>      | <b>603,077</b>        |

## 16. Fair Value Disclosure

Fair value hierarchy as at 30 November 2023

|         | 30 November 2023   |                 | 30 November 2022   |                 |
|---------|--------------------|-----------------|--------------------|-----------------|
|         | Assets (£)         | Liabilities (£) | Assets (£)         | Liabilities (£) |
| Level 1 | 246,585,119        | -               | 346,148,116        | -               |
| Level 2 | -                  | -               | -                  | -               |
| Level 3 | -                  | -               | 13,758             | -               |
|         | <b>246,585,119</b> | <b>-</b>        | <b>346,161,874</b> | <b>-</b>        |

# **Notes to the Annual Financial Statements (Continued)**

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**For the period ended 30 November 2023**

## **16. Fair Value Disclosure (Continued)**

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The Fund has adopted “Amendments to FRS 102”, Section 34 which establishes a hierarchy to be used to estimate the fair value of investments that are publicly traded or whose fair value can be reliably measured if they are not publicly traded. The levels of the hierarchy are as follows:

1. Fair value based on a quoted price for an identical instrument in an active market.
2. Fair value based on a valuation technique using observable market data.
3. Fair value based on a valuation technique that relies significantly on non-observable market data and will include values not primarily derived from observable market data.

The determination of what constitutes “observable” requires significant judgement by the Authorised Fund Manager. The Authorised Fund Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Where investments have final redeemable prices supported by the underlying administrators, these would have been classified as Level 2.

# Notes to the Annual Financial Statements (Continued)

For the period ended 30 November 2023

## 17. Distribution Table

### Accumulation Shares

For the period from 1 December 2022 to 31 May 2023

Group 1: units purchased prior to 1 December 2022

Group 2: units purchased on or after 1 December 2022

|         |         | Net revenue to 31-May-23 pence per unit | Equalisation to 31-May-23 pence per unit | Distribution paid 31-Jul-23 pence per unit | Distribution paid 31-Jul-22 pence per unit |
|---------|---------|---|--|--|--|
| Class A | Group 1 | 1.3726p                                 | 0.0000p                                  | 1.3726p                                    | 0.0000p                                    |
|         | Group 2 | 1.0196p                                 | 0.3530p                                  | 1.3726p                                    | 0.0000p                                    |
| Class B | Group 1 | 2.2912p                                 | 0.0000p                                  | 2.2912p                                    | 0.3190p                                    |
|         | Group 2 | 2.0049p                                 | 0.2863p                                  | 2.2912p                                    | 0.3190p                                    |
| Class P | Group 1 | 2.8546p                                 | 0.0000p                                  | 2.8546p                                    | 0.8231p                                    |
|         | Group 2 | 2.6855p                                 | 0.1691p                                  | 2.8546p                                    | 0.7638p                                    |

"£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

'0.0000p is the trustee's net liability to corporation tax per unit.

### Accumulation Shares

For the period from 1 June 2023 to 30 November 2023

Group 1: units purchased prior to 1 June 2023

Group 2: units purchased on or after 1 June 2023

|         |         | Net revenue to 30-Nov-23 pence per unit | Equalisation to 30-Nov-23 pence per unit | Distribution payable 31-Jan-24 pence per unit | Distribution paid 31-Jan-23 pence per unit |
|---------|---------|---|--|---|--|
| Class A | Group 1 | 2.1560p                                 | 0.0000p                                  | 2.1560p                                       | 0.0000p                                    |
|         | Group 2 | 1.7808p                                 | 0.3752p                                  | 2.1560p                                       | 0.0000p                                    |
| Class B | Group 1 | 3.2807p                                 | 0.0000p                                  | 3.2807p                                       | 1.2745p                                    |
|         | Group 2 | 1.4190p                                 | 1.8617p                                  | 3.2807p                                       | 1.2745p                                    |
| Class P | Group 1 | 3.7558p                                 | 0.0000p                                  | 3.7558p                                       | 1.7605p                                    |
|         | Group 2 | 3.7253p                                 | 0.0305p                                  | 3.7558p                                       | 1.7605p                                    |

"£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

'0.0000p is the trustee's net liability to corporation tax per unit.

# Appendix I

## SFDR Periodic Report

**Product Name:** Slater Recovery Fund (the “Fund”)

**Legal Entity Identifier:** 213800ZG4XQFOOLUNE54

| Did this financial product have a sustainable investment objective?  |   |
|--|---|
| <p><input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It made sustainable investments with an environmental objective: ___%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It made sustainable investments with a social objective: ___%</p> | <p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promoted E/S characteristics but <b>did not make any sustainable investments</b></p> |

### To what extent were the environmental and/or social characteristics promoted by this financial product met?

This investment product effectively promotes Environmental and Social Characteristics by methodically integrating ESG research into the Fund’s investment approach. The primary aim of our ESG considerations is to preserve and enhance the value of the Fund’s investments. During the reporting period, Slater Investments identified material risks and opportunities for the Fund’s investments, which were consistently evaluated. In addition, ESG reviews and sustainability impact reviews were conducted for new companies entering the Fund throughout the reporting period. Furthermore, we measure principal adverse impact indicators on a quarterly basis, which are subject to oversight by the ESG Committee.

The Fund also adheres to the environmental and social characteristics by assessing the extent to which investee companies comply with relevant legislation and internationally recognised standards. This process serves as a crucial aspect of Slater Investments’s investment approach.



## Appendix I (Continued)

### How did the sustainability indicators perform?

| Sustainability Indicators   | Details   | Metric    |
|---|---|-----------|
| Companies which have set or committed to Science Based Target % of AUM excluding cash | Has the company set targets or objectives to be achieved on emission reduction? | 63.3%     |
| UN Global Compact/ norms breach assessment  | Does the company violate any of the UN Global Compact Ten Principles            | 2*        |
| Portfolio Weighted Average Refinitiv ESG Rating excluding cash                        |   | 43.9 (C+) |

\*Although two companies were in violation of at least one of the UN Global Compact Ten Principles, these violations did not pose a significant financial risk to the respective companies. However, such violations have resulted in unnecessary reputational harm. Slater Investments continues to monitor these companies.

- **And compared to previous periods.**

From the previous period the Fund reported the following

| Sustainability Indicators  | Details   | Metric  |
|--|---|---------|
| Companies which have set or committed to Science Based Target % of AUM, excluding cash | Has the company set targets or objectives to be achieved on emission reduction? | 60%     |
| UN Global Compact/Norms breach assessment  | Does the company violate any of the UN Global Compact Ten Principles            | 4*      |
| Portfolio Weighted Average Refinitiv ESG Rating excluding cash                         |   | 50 (B-) |

There has been a slight increase in the share of companies in the portfolio which have set targets for net zero or emission reduction. We have seen an overall slight decline in the portfolio weighted average Refinitiv ESG rating. Compared to the last period, we have seen a reduction in the number of companies which violated at least one of the UN Global Compact Ten Principles.

- **What were the objectives of the sustainable investments that the financial product partially made, and how did the sustainable investment contribute to such objectives?**

Slater Investments does not currently classify any investment as sustainable investments.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable – see above.

## Appendix I (Continued)

How did this financial product consider principal adverse impacts (“PAIs”) on sustainability factors?

Slater Investments considers PAIs on sustainability factors on behalf of the Fund by:

- regularly monitoring the PAIs across the Fund on a quarterly basis. This monitoring data is presented and discussed in Slater Investments’s ESG Committee;
- incorporating PAI data into engagement with investee companies;
- evaluating PAIs of new investment in the Fund as part of wider ESG research of companies.

| <b>Indicators applicable to investments in investee companies</b> |  |   |                           |
|---|--|---|---------------------------|
| <b>Adverse sustainability indicator</b>                           |  | <b>Metric</b>   | <b>Annual Report 2023</b> |
| <b>Climate and other environment-related indicators</b>           |  |   |                           |
| Greenhouse gas emissions (GHG)                                    | GHG Emissions  | GHG Emissions - Scope 1 (shown in thousands)  | 97.45 Tonnes              |
|   |  | GHG Emissions - Scope 2 (shown in thousands)  | 30.75 Tonnes              |
|   |  | GHG Emissions - TOTAL (shown in thousands)  | 131.39 Tonnes             |
|   |  | GHG Emissions - Scope 3 (shown in thousands)  | 132.07 Tonnes             |
|   | Carbon Footprint   | Carbon Footprint  | 55.01 CO2e/£M             |
|   | GHG Intensity of Investee Companies  | GHG intensity of investee companies   | 62.58 CO2e/£M             |
|   | Exposure to companies active in the fossil fuel sector   | Share of investments in companies active in the fossil fuel sector  | 1.76%                     |
|   | Share of non-renewable energy consumption and production   | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage | 5.37%                     |
| Energy consumption intensity per high impact climate sector       | Energy consumption in gigawatt hours (GWh) per £million of revenue of investee companies, per high impact climate sector | 365.91 GWh/£M   |                           |
| Biodiversity  | Activities negatively affecting biodiversity areas   | Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas        | 24.96%                    |

## Appendix I (Continued)

|  |  |   |             |
|--|--|---|-------------|
| Water  | Emissions of water   | Tonnes of emissions to water generated by investee companies per £million invested, expressed as a weighted average.  | 0 Tonnes/£M |
| Waste  | Hazardous waste ratio  | Tonnes of hazardous waste generated by investee companies per £million invested, expressed as a weighted average  | 0 Tonnes/£M |
| <b>Social and employee, respect for human rights, anti-corruption and anti-bribery matters</b> |  |   |             |
| Social and Employee matters  | Violations of UN Global Compact (UNGC) principles and OECD Guidelines for Multinational Enterprises                                      | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises  | 5.49%       |
|  | Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 96.71%      |
|  | Unadjusted gender pay gap  | Average unadjusted gender pay gap of investee companies   | 32.67       |
|  | Board gender diversity   | Average ratio of female to male board members in investee companies   | 26.14       |
|  | Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)                      | Share of investments in investee companies involved in the manufacture or selling of controversial weapons  | 0%          |
| <b>Other Environmental Matters</b>   |  |   |             |
| Emissions  | Emissions of ozone depletion substances  | Tonnes of inorganic pollutants equivalent per £million invested, expressed as a weighted average  | 0 Tonnes/£M |
|  | Emissions of inorganic pollutants  | Tonnes of air pollutants equivalent per £million invested, expressed as a weighted average  | 0 Tonnes/£M |
|  | Investments in companies without carbon reduction initiatives  | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.  | 36.65%      |

## Appendix I (Continued)

|                                     |  |  |        |
|-------------------------------------|--|--|--------|
| Water, waste and material emissions | Investments in producing chemicals         | Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006                               | 0%     |
| <b>Other Social Matters</b>         |  |  |        |
| Social and employee matters         | Insufficient Whistle-blower Protection (%) | Share of investments in entities without policies on the protection of whistle-blowers   | 41.12% |
|                                     | Lack of a supplier code of conduct (%)     | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) | 77.89% |
| Human rights                        | Lack of Human Rights Policy (%)            | Share of investments in entities without a human rights policy   | 26.87% |
|                                     | Lack of Anti-Corruption/Bribery Policy (%) | Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the UN Convention against Corruption                           | 46.66% |

| Indicators applicable to investments in investee companies  |  |   |                             |
|---|--|---|-----------------------------|
| Adverse sustainability indicator                            |  | Metric  | May-23                      |
| Climate and other environment-related indicators            |  |   |                             |
| Greenhouse gas emissions (GHG)                              | GHG Emissions  | GHG Emissions - Scope 1 (shown in thousands)  | 234.50 Tonnes*              |
|   |  | GHG Emissions - Scope 2 (shown in thousands)  | 45.48 Tonnes*               |
|   |  | GHG Emissions - TOTAL (shown in thousands)  | 279.97 Tonnes*              |
|   |  | GHG Emissions - Scope 3 (shown in thousands)  | 146.86 Tonnes*              |
|   | Carbon Footprint   | Carbon Footprint  | 38.37 CO <sub>2</sub> e/£M* |
|   | GHG Intensity of Investee Companies  | GHG intensity of investee companies   | 58.19 CO <sub>2</sub> e/£M* |
|   | Exposure to companies active in the fossil fuel sector   | Share of investments in companies active in the fossil fuel sector  | 2.12%                       |
|   | Share of non-renewable energy consumption and production   | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage | 1.20%                       |
| Energy consumption intensity per high impact climate sector | Energy consumption in gigawatt hours (GWh) per £million of revenue of investee companies, per high impact climate sector | 280.27 GWh/£M*  |                             |



# Appendix I (Continued)

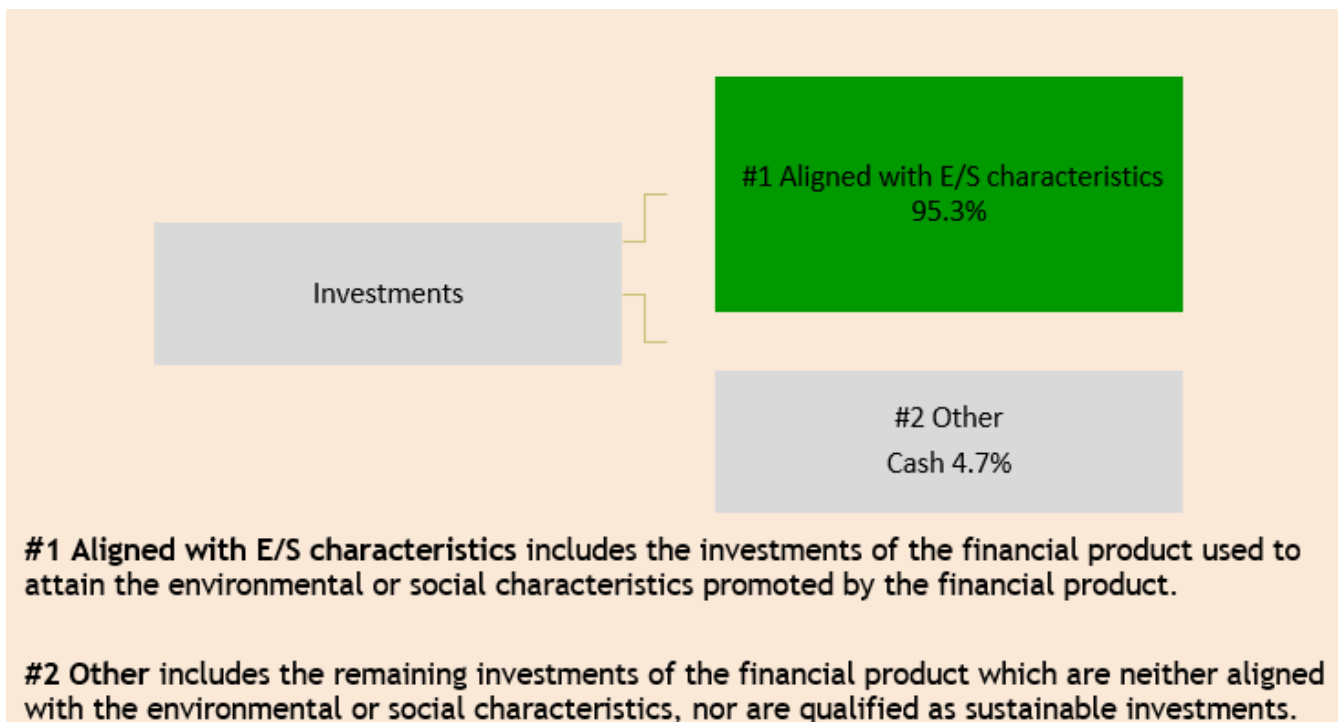
What were the top investments of this financial product?

| Name                         | GICS Sub Industry                   | % Asset | Country |
|------------------------------|-------------------------------------|---------|---------|
| Serco Group PLC              | Environmental & Facilities Services | 8.7%    | UK      |
| Team Internet Group PLC      | Advertising                         | 5.3%    | UK      |
| Future PLC                   | Publishing                          | 4.9%    | UK      |
| Next 15 Group PLC            | Advertising                         | 4.6%    | UK      |
| Prudential PLC               | Life & Health Insurance             | 4.3%    | UK      |
| Tesco PLC                    | Food Retail                         | 4.3%    | UK      |
| Franchise Brands PLC         | Specialized Consumer Services       | 4.2%    | UK      |
| Foresight Group Holdings Ltd | Asset Management & Custody Banks    | 3.7%    | UK      |
| Hollywood Bowl Group PLC     | Leisure Facilities                  | 2.8%    | UK      |
| JTC PLC                      | Asset Management & Custody Banks    | 2.7%    | Jersey  |
| STV Group PLC                | Broadcasting                        | 2.6%    | UK      |
| Begbies Traynor Group PLC    | Research & Consulting Services      | 2.5%    | UK      |
| Breedon Group PLC            | Construction Materials              | 2.3%    | UK      |
| Loungers PLC                 | Restaurants                         | 2.2%    | UK      |
| NCC Group PLC                | IT Consulting & Other Services      | 1.9%    | UK      |

Source: Slater Investments. Weightings above are from mid prices on 30 November 2023

What was the proportion of sustainability-related investments?

- What was the asset allocation?



## Appendix I (Continued)

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- **In which economic sector were the investments made?**

Investments are made in various economic sectors. The top five as of 30 November 2023 and using the GICS Sub Industry are shown in the table below:

| <b>Sub Industry</b>                 | <b>% Assets</b> |
|-------------------------------------|-----------------|
| Asset Management & Custody Banks    | 11.1%           |
| Advertising                         | 9.9%            |
| Environmental & Facilities Services | 8.7%            |
| Research & Consulting Services      | 7.2%            |
| Publishing                          | 6.1%            |

*Source: Slater Investments. Weightings above are from mid prices on 30 November 2023*

**To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy**

Not applicable. The Fund does not commit to making a minimum proportion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

**What was the share of investments made in transitional and enabling activities**

Not applicable. The Fund does not commit to making a minimum proportion of investments in transitional and enabling activities.

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods**

Not Applicable. The Fund does not commit to making investments in companies that are aligned with the EU Taxonomy.

## Appendix I (Continued)

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### **What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy**

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 100%. These investments may be aligned with the EU Taxonomy, but the Investment Manager is not currently in a position to specify the exact proportion of the financial product's underlying investments as calculated according to the EU Taxonomy. However, the position will be kept under review as the underlying rules are finalised and the availability of reliable data increases over time.

### **What was the share of socially sustainable investments?**

Not applicable. None of the investments are currently classified as socially sustainable investments.

### **What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?**

Cash is included under “#2 Other”.

### **What action has been taken to meet the environmental and/or social characteristics during the reference period**

As mentioned in our response to “To what extent were the environmental and/or social characteristics promoted by this financial product met?”, the Fund promoted environmental and social characteristics during the reference period under review:

- ESG is integrated in the Investment Process.
- Adherence to good governance.

### **How did the financial product perform compared to the reference benchmark**

No reference benchmark has been used for the Fund for the purpose of attaining E/S characteristics.

- **How does the reference benchmark differ from a broad market index?**

Not applicable.



## Appendix I (Continued)

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- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

Not applicable.

- **How did this financial product perform compared with the reference benchmark?**

Not applicable.

- **How did this financial product perform compared with the broad market index?**

Not applicable.

# Appendix II

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## TCFD Periodic Climate related Financial Disclosures

### Slater Recovery Fund (the “Fund”)

This report is based on the recommendations set out by the Task Force on Climate-Related Financial Disclosures (TCFD), a global organisation formed to develop a set of recommended climate-related disclosures that companies and financial institutions can use to better inform investors, shareholders and the public of their climate-related financial risks.

### Risk Management

#### Climate risks

As long-term investors, climate-related risks and opportunities are considered over the short, medium and long term across the Fund’s holdings. Sector analysis is a key part of this.

There are two main types of climate-related risks: physical and transition risk. Dealing with each risk in turn:

Physical climate risks are either acute or chronic. Acute risks include heatwaves, droughts, wildfires, and flooding. Chronic risks are driven by longer term shifts in climate patterns like sea level rise, and higher average temperatures. These threats come in two forms: idiosyncratic and systemic risks. Idiosyncratic risks are more specific and localised, affecting individual assets or companies. This could be a company heavily dependent on a specific geographic location. Systemic risks are risks that affect the entire financial system or a significant portion of it. Sea level rise, widespread temperature increases, or large-scale natural disasters can have systemic implications.

Transition risks are the potential costs to society of shifting to a low carbon economy to mitigate climate change. They arise primarily from policy change and the level of technological adoption, but also from market developments such as changes in consumer preferences.

Both the physical effects of climate change and the transition to a low-carbon economy are sources of financial risks and have the potential to affect a company’s profitability if exposed to these risks.

## **Appendix II (Continued)**

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### **Climate risks (Continued)**

Both types of risks are not mutually exclusive, which means a company can be exposed to and impacted by both. Identifying these risks involves a thorough analysis of various aspects of a company's operations, supply chain, and overall business strategy. This involves evaluation of regulatory and policy risks, assessing transition risk & considering reputational risk. Once climate related risks are identified, these considerations are integrated into the investment process.

### **Scenario Analysis**

To understand how physical and transition risks could affect different sectors in the future, we make use of the Paris Agreement Capital Transition Assessment (PACTA). This is done on a quarterly basis, and this helps Slater Investments to assess the resilience of our investment strategy under a range of scenarios. Through the assessment the following questions are answered.

- what proportion of the Fund's holdings are invested in climate-related sectors?
- do the production plans of the companies in the Fund's holdings tally with climate scenarios which comply with the Paris Agreement?
- which companies in Fund's holdings significantly influence the results?
- to what level of risk is the asset value of the Fund's holdings exposed in various transition scenarios?

### **Climate Metrics for the Fund Investments**

Slater Investments uses the following metrics to measure the collective carbon impact of the Fund's holdings, calculated according to TCFD standards, which in turn are based on the internationally accepted GHG Protocol. The GHG Protocol, is a set of accounting and reporting standards for greenhouse gas (GHG) emissions. It is one of the most widely used frameworks globally for businesses and governments to understand, quantify, and manage their greenhouse gas emissions.

**Scope 1 Carbon Emission:** Direct emissions from sources that are owned or controlled by the entity. This includes emissions from combustion of fossil fuels, on-site industrial processes, and transportation owned or controlled by the organisation.

## Appendix II (Continued)

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### Climate Metrics for the Fund Investments (Continued)

**Scope 2 Carbon Emission:** Indirect emissions from the generation of purchased energy, such as electricity, heating, and cooling. These emissions occur outside the organisation's boundaries but result from activities that support its operations.

**Scope 3 Carbon Emission:** the result of activities from assets not owned or controlled by the organisation, but that the organisation indirectly affects in its value chain.

Monitoring and managing Scope 1 and 2 emissions helps organisations understand their direct and indirect contributions to greenhouse gas emissions. This approach might not account for all emissions associated with a product or service, as it doesn't consider the entire supply chain.

Disclosure of Scope 3 emissions under TCDF is currently voluntary. Calculating Scope 3 emissions can be difficult because they are generated by third parties (e.g., a supply chain partner) for which the reporting company has limited visibility or control. We currently refrain from publishing this data. We will reevaluate our position on Scope 3 emission disclosures as the calculation methodologies in this area continue to evolve and become more standardised.

**Total Carbon Emissions:** The sum of all greenhouse gas emissions, typically measured in carbon dioxide equivalent (CO<sub>2</sub>e), produced directly or indirectly by an entity.

Total carbon emissions offer a holistic view of the environmental impact of an organisation, considering both direct and indirect sources. This metric might oversimplify the analysis, and specific details about the sources and types of emissions may be lost.

**Total Carbon Footprint:** The total amount of greenhouse gases, measured in CO<sub>2</sub>e, that are directly and indirectly associated with an activity, product, or organisation.

The carbon footprint provides a comprehensive measure of the environmental impact, considering emissions throughout the entire life cycle of products and services. Calculating a total carbon footprint requires extensive data, and some emissions factors may be estimates, introducing uncertainties into the results.

**Weighted Average Carbon Intensity (WACI):** The average amount of greenhouse gas emissions per unit of output, activity, or economic value, often expressed as CO<sub>2</sub>e per unit.

## Appendix II (Continued)

### Climate Metrics for the Fund Investments (Continued)

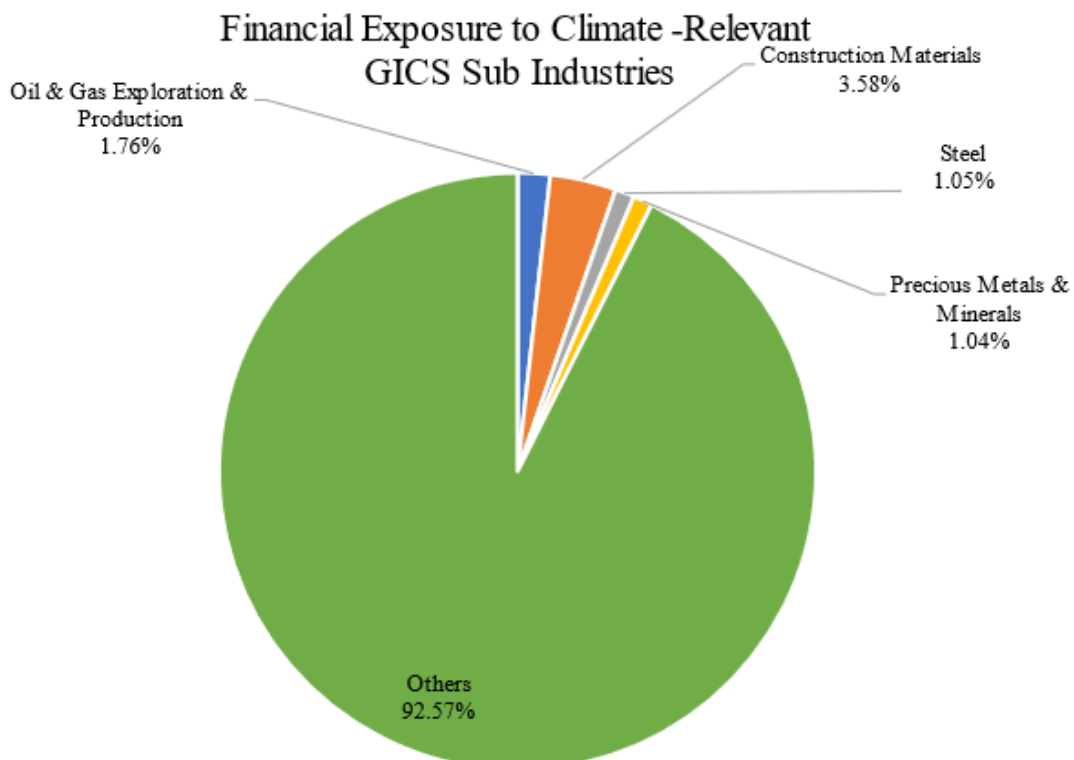
This metric helps assess the efficiency of resource use in relation to emissions, providing insights into the carbon efficiency of different activities or products. The accuracy of this metric depends on the availability and accuracy of data. Additionally, variations in emissions factors for different activities can affect the reliability of comparisons.

High Impact Sub Industry: This refers to industries or economic sectors that are particularly vulnerable to the effects of climate change or have a significant impact on climate change through their greenhouse gas emissions. Identifying high-impact sectors is crucial for assessing climate-related risks and implementing strategies to mitigate or adapt to these risks.

The results of our analysis are as follows:

| Climate Metric          | Unit Of Measurement       | Coverage | 2023 Amount |
|-------------------------|---------------------------|----------|-------------|
| Scope 1 Carbon Emission | tCO2e -shown in thousands | 77.72%   | 97.45       |
| Scope 2 Carbon Emission | tCO2e -shown in thousands | 78.22%   | 30.75       |
| Total Carbon Emissions  | tCO2e -shown in thousands | 77.72%   | 131.39      |
| Carbon Footprint        | tCO2e/£m Invested         | 77.72%   | 55.01       |
| WACI                    | tCO2e/£m Revenue          | 77.72%   | 62.58       |
| High Impact Sector      |                           | 100.00%  | 7.43%       |

What proportion of the Fund’s holdings are invested in climate-related GICS Sub Industries?



## Appendix II (Continued)

What proportion of the Fund's holdings are invested in climate-related GICS Sub Industries? (Continued)

| GICS Sub Industry                  | WACI tCo2e/£M Revenue | Contribution to Portfolio WACI% | Asset Holding £ | Asset Exposure |
|------------------------------------|-----------------------|---------------------------------|-----------------|----------------|
| Oil & Gas Exploration & Production | 0.00                  | 0.0%                            | £4,654,306      | 1.76%          |
| Construction Materials             | 46.90                 | 74.9%                           | £9,354,517      | 3.58%          |
| Steel                              | 0.00                  | 0.0%                            | £2,721,895      | 1.05%          |
| Precious Metals & Minerals         | 3.87                  | 6.2%                            | £2,697,645      | 1.04%          |

Source: Slater Investments. Weightings above are from mid prices on the 30 November 2023

### Explanation of GICS Sub-Industry

#### Oil & Gas Exploration & Production

This sub-industry comprises companies engaged in the exploration and production of oil and gas not classified elsewhere.

In the scenario of an orderly transition, there would likely be a shift towards renewable energy sources, resulting in reduced demand for traditional fossil fuels. Companies investing in clean energy alternatives and carbon capture technologies may thrive during this transition. Strategies for adaptation might involve diversification into renewable energy portfolios. In a disorderly transition, increased regulatory pressures and abrupt policy changes could disrupt traditional business models, leading to stranded assets as the demand for fossil fuels declines rapidly. Companies with a focus on sustainable practices may have a competitive advantage in navigating this transition. In a hothouse world scenario, there would be severe impacts due to heightened climate-related events and potential global policy shifts. Extreme weather events may disrupt operations and infrastructure, making a shift towards renewable energy imperative for business continuity.

The most significant drivers are the regulatory environment, carbon pricing, and environmental standards. Changes in regulations can influence the cost structure and operational practices of companies involved in oil and gas exploration and production. Additionally, the sub-industry faces challenges due to the global shift towards renewable energy, necessitating an assessment of risks and opportunities associated with the transition to a low-carbon economy.

## Appendix II (Continued)

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### Construction Materials

This sub-industry comprises companies engaged in the manufacturing of construction materials including sand, clay, gypsum, lime, aggregates, cement, concrete, and bricks.

In an orderly transition, there would be a growing demand for sustainable and eco-friendly construction materials. Companies investing in green technologies and low-carbon materials may see an increased market share. Emphasis would be placed on energy-efficient construction practices. In a disorderly transition, increased costs due to regulatory changes and supply chain disruptions could be expected. Demand for traditional materials may decline as sustainability becomes a key consideration. Companies adapting quickly to eco-friendly practices may navigate these changes more successfully. In a hothouse world scenario, there would be increased vulnerability to extreme weather events affecting construction projects. There would be a greater emphasis on resilient and climate-adaptive building materials, and strict regulations on carbon emissions may impact the sub-industry.

The most significant drivers are energy efficiency and emissions. The production of materials like cement and steel is energy-intensive and contributes substantially to greenhouse gas emissions. Companies in this sub-industry must address these issues by implementing strategies for energy efficiency, exploring alternative materials, and adopting emission reduction practices. Regulations aimed at promoting energy-efficient building practices and the growing demand for climate-resilient infrastructure are key considerations that Construction Material providers need to address in their strategic planning.

### Steel

This sub-industry comprises producers of iron and steel and related products, including metallurgical (coking) coal mining used for steel production.

In an orderly transition, the steel sub-industry might experience a growing demand for sustainably sourced and recycled metals. Companies adopting cleaner production methods and implementing circular economy principles may gain a competitive edge. Emphasis would be placed on responsible mining practices and reducing the carbon footprint of steel production. In a disorderly transition, there could be disruptions in the supply chain due to regulatory changes impacting mining and refining operations. Increased scrutiny on the environmental and social impacts of mining activities may also pose challenges.



## Appendix II (Continued)

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### Steel (Continued)

Companies with a focus on ethical sourcing and sustainable practices may fare better. In a hothouse world scenario, climate-related impacts on mining operations and transportation could be significant, posing challenges to the sub-industry. There may be an increased demand for recycled materials as extraction becomes more difficult. Companies resilient to extreme weather events and with sustainable practices may be better positioned.

The most significant driver is decarbonisation. The production of steel is a major source of carbon emissions, prompting companies in this sub-industry to explore cleaner production technologies.

### Precious Metals & Minerals

This sub-industry comprises companies engaged in mining precious metals and minerals not classified in the Gold Sub-Industry. This sub-industry includes companies primarily mining platinum.

In an orderly transition, there could be a growing demand for responsibly sourced precious metals and minerals. Companies adopting ethical mining practices and embracing transparency in the supply chain may gain a competitive advantage. Emphasis would be placed on minimising environmental impacts and ensuring fair labour practices. In a disorderly transition, disruptions in the supply chain may occur due to regulatory changes impacting mining operations. Increased scrutiny on the environmental and social aspects of mining activities may also pose challenges. Companies with a commitment to ethical sourcing and sustainable practices may navigate these changes more effectively. In a hothouse world scenario, climate-related impacts on mining operations and transportation may be significant. There may be an increased emphasis on resilient supply chains and sustainable extraction practices. Companies with robust environmental and social governance measures may be better positioned to address challenges in this scenario.

The most significant driver is environmental and social impacts from mining operations. The sub-industry demands transparency in disclosing efforts to minimise these impacts, emphasising responsible mining practices.

## Appendix II (Continued)

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### Product Scenario Alignment

Expressing the likely implied temperature increase linked to the Fund's holdings is inherently intricate. This rapidly evolving metric involves numerous assumptions. Although guidance on calculating this forward-looking indicator is continually improving, we currently refrain from publishing this data. Doing so could pose a risk of potential misinformation and would be heavily qualified. The data would only serve as an indication of a range of potential temperature increases and associated scenarios, given the uncertainty of forecasts for the global economy's decarbonisation.

Our intention is to release the implied temperature rise (ITR) of the Fund's holdings in subsequent years. This will occur once we have developed a methodology which accurately represents the most likely future decarbonisation pathway. This pathway will be tailored to a representative basket of assets for the Fund, considering factors such as its sector, asset class, investee company-specific projected decarbonisation pathways, and other pertinent carbon intensity data, including progress against emission reduction initiatives.

### Climate Value at Risk

We are currently assessing the reliability of Climate Value at Risk (Climate VaR) as a metric to gauge potential financial losses for a portfolio company due to climate change. Our intention is to incorporate this measure into future TCFD reporting. However, we aim to do so only when we are confident in the adequacy and quality of the data. Additionally, we are committed to a comprehensive understanding of We are currently assessing the reliability of Climate Value at Risk (Climate VaR) as a metric to gauge potential financial losses for a portfolio company due to climate change. Our intention is to incorporate this measure into future TCFD reporting. However, we aim to do so only when we are confident in the adequacy and quality of the data. Additionally, we are committed to a comprehensive understanding of the metric's potential limitations and weaknesses to present data in a manner that is both accurate and appropriate. This involves carefully determining the indicator's suitable time horizon and ensuring that the chosen scenarios accurately represent the potential impact without causing misinterpretation. Once these evaluations are completed, we will publish the metric as part of our ongoing commitment to transparent and informed climate-related financial reporting.

## **Appendix II (Continued)**

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### **Data sources**

We have incorporated data from Thomson Reuters Eikon or its affiliates or information providers. Although Slater Investments gathers information from sources we consider reliable, Thomson Reuters Eikon does not warrant or guarantee the originality, accuracy, and/or completeness of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose.

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