

Charity Value & Income Fund

Annual Report

for the year ended 31 December 2018

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Charity Value & Income Fund Report of the Manager

Smith & Williamson Fund Administration Limited, as Manager, presents herewith the Annual Report for Charity Value & Income Fund for the year ended 31 December 2018.

Charity Value and Income Fund (the Scheme or 'the Fund') is a Common Investment Fund established by a Scheme of the Charity Commission for England and Wales ('the Commission') dated 11 April 2007, made pursuant to the powers given to it by the Charities Act 1993, section 24 and now existing under the Charities Act 2011, section 96, as amended by a Resolution of the Trustee pursuant to the Charities Act 2011, section 280. The registered charity number is 1119289. The Scheme is not an authorised unit trust within the meaning of the Financial Services and Markets Act 2000 ('FSMA'). The Scheme is operated by Smith & Williamson Fund Administration Limited as an unregulated collective investment scheme in accordance with the Financial Conduct Authority ('the FCA') rules, the Collective Investment Schemes sourcebook ('COLL') and the Investment Funds sourcebook ('FUND'), published by the FCA. As the Scheme is a non-Undertakings for Collective Investments in Transferable Securities ('non-UCITS') retail scheme, the Manager also acts as Alternative Investment Fund Manager ('AIFM') in order to comply with the Alternative Investment Fund Manager's Directive ('AIFMD').

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Scheme consist predominantly of securities which are readily realisable and, accordingly, the Scheme has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. As Manager we have applied appropriate accounting policies consistently, supported by reasonable and prudent judgements and estimates. However, as Manager we are unable to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

The base currency of the Scheme is UK sterling.

The Scheme Particulars can be inspected at the offices of the Manager.

A copy of the Scheme Particulars are available free of charge from the Manager.

Investment objective

The objective of the Scheme is to achieve long-term capital and income growth through investment primarily in UK equities with an above-average yield. The Scheme may also from time to time invest in other securities, including UK government securities, other fixed interest securities, convertible securities and cash.

Investment policy

The investments for the Scheme will be made principally in UK companies listed on the London Stock Exchange, typically within the FTSE All Share Index or quoted on the Alternative Investment Market. As such, both income received from those investments and their capital valuation will be subject to fluctuation. However, the Investment Manager will endeavour to manage the portfolio in a way that leads to an increasing income year on year, and to invest in a portfolio whose volatility is not significantly different to that of the FTSE All Share Index. The Investment Manager's portfolios historically have tended to have volatility similar to that of the FTSE All Share Index.

Benchmark and performance target

The performance target will be to outperform the FTSE All Share Index on a total return basis. The Scheme will be benchmarked against the FTSE All Share Index.

Report of the Manager (continued)

Changes affecting the Scheme in the year

There were no fundamental or significant changes to the Scheme in the year.

Further information in relation to the Scheme is set out on page 32.

Royal Bank of Scotland Group transferred its Trustee and Depositary Services business from National Westminster Bank Plc to NatWest Trustee & Depositary Services Limited on 29 October 2018.

In accordance with the requirements of The Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars, we hereby approve the Annual Report on behalf of Smith & Williamson Fund Administration Limited.

B. McLean

Directors

Smith & Williamson Fund Administration Limited

15 May 2019

J. Gordon

Statement of the Manager's responsibilities

The Manager is required to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund as at the end of the financial period and of the net revenue and net capital loss on the property of the Fund for the year.

In preparing the financial statements the Manager is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 ('the Regulations') and where relevant the Statement of Recommended Practice: 'Financial Statements of UK Authorised Funds' issued by The Investment Association, in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Fund in accordance with the Scheme Particulars.

Report of the Trustee to the unitholders of Charity Value & Income Fund

Trustee's responsibilities

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook (the 'Regulations'), the Scheme Order and Scheme Particulars (together 'the Scheme documents') as detailed below.

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

The Trustee is responsible for the safekeeping of the assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

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

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

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AIFM, has been managed in accordance with the Regulations and the Scheme documents.

NatWest Trustee & Depositary Services Limited
15 May 2019

Independent auditor's report to the charity trustees of Charity Value and Income Fund ('the Fund')

Opinion

We have audited the financial statements of the Fund for the year ended 31 December 2018 which comprise the Accounting policies of the Fund, the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the notes to the financial statements, and the Distribution Table. 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 Fund's affairs as at 31 December 2018 and of the incoming resources and application of the resources of the Fund for the year then ended;
- give a true and fair view of the movement in the net assets of the Fund for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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 Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's 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 use by the Manager (Smith & Williamson Fund Administration Limited) of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund'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 Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and 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.

Independent auditor's report to the charity trustees of Charity Value and Income Fund ('the Fund') (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the other information; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Manager's responsibilities

As explained more fully in the Statement of the Manager's Responsibilities set out on page 4, the Manager 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

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

Use of the report

This report is made solely to the charity trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the charity trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Beavis Morgan Audit Limited
Statutory Auditor
82 St John Street
London EC1M 4JN
15 May 2019

Beavis Morgan Audit Limited is eligible to act as an auditor of the Fund by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Accounting policies of Charity Value & Income Fund

for the year ended 31 December 2018

a *Basis of accounting*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and in accordance with the Statement of Recommended Practice for UK Authorised Funds ('the SORP') published by The Investment Association in May 2014 as applicable to Charity Common Investment Funds and The Charities (Accounts and Reports) Regulations 2008.

As described in the Manager's report, the Manager continues to adopt the going concern basis in the preparation of the accounts.

b *Valuation of investments*

The purchase and sale of investments are included up to close of business on 31 December 2018.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver an asset arises.

Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is global close of business on 31 December 2018 with reference to quoted bid prices from reliable external sources.

Where an observable market price is unreliable or does not exist, investments are valued at the Manager's best estimate of the amount that would be received from an immediate transfer at arm's length.

c *Foreign exchange*

The base currency of the Fund is UK sterling which is taken to be the Fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

d *Revenue*

Revenue is recognised in the Statement of total return on the following basis:

Dividends from quoted equity instruments and non equity shares are recognised as revenue, net of attributable tax credits on the date when the securities are quoted ex-dividend.

Overseas dividends are recognised as revenue gross of any withholding tax and the tax consequences are recognised within the tax expense.

Dividends from unquoted equity shares are recognised when declared.

Interest on bank deposits and short term deposits is recognised on an accruals basis.

e *Expenses*

All expenses, other than those relating to the purchase and sale of investments, are charged to revenue then reallocated to capital.

f *Taxation*

The Fund is a Registered Charity and is not subject to Income, Capital Gains or Corporation Tax.

g *Use of derivatives*

The Fund may (subject to the provisions of the Scheme) enter into derivatives and forward transactions (i.e. futures, options and contracts for differences) provided that:

- the transaction is entered into for the purpose of protection or the reduction of risk and/or the reduction of costs to the Fund;
- the Manager is satisfied that the transaction is expedient in the interests of the Fund;
- any securities to be acquired under the transaction are eligible to be held by the Fund, having regard to clause 38 of the Schemes and the investment objective and policy of the Fund; and
- the Manager is satisfied that the transaction is not speculative.

Accounting policies of Charity Value & Income Fund (continued)

for the year ended 31 December 2018

g Use of derivatives (continued)

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts may be used for Efficient Portfolio Management purposes. Where such instruments are used to protect or enhance revenue, the revenue or expenses derived therefrom are included in the Statement of total return as revenue related items and form part of the distribution. Where such instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in the Statement of total return as capital related items.

h Distribution policies

i Basis of distribution

Where income is available, distributions are made quarterly from the Fund and take the form of dividend distributions. Distributions attributable to income units are paid to unitholders. Distributions attributable to accumulation units are re-invested in the relevant class on behalf of the unitholders.

ii Unclaimed distributions

Distributions to unitholders outstanding after 6 years are taken to the capital property of the Fund.

iii Revenue

All revenue is included in the final distribution with reference to policy d.

iv Expenses

Expenses incurred against the revenue of the Fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to policy e.

v Equalisation

Group 2 units are units purchased on or after the previous XD date and before the current XD date. Equalisation applies only to group 2 units. Equalisation is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes. Equalisation per unit is disclosed in the Distribution table.

Investment Manager's report

The market*

Equity investors suffered severe setbacks in 2018. After the year opened with much optimism about the rising pace of world economic growth, later in the year attention focussed on the effect of rising interest rates, particularly in America but also in the UK. UK equities were hard hit in the first quarter but recovered in the second to close the half-year only marginally below the level at the end of 2017. In the second half of our year, equity markets fell significantly across the world. Trade wars between America and China prompted fears of slowing growth in China, with a knock-on effect on other economies. In addition, following guidance that US interest rates would continue to rise, the US dollar steadily strengthened against other currencies. Developing countries with US dollar denominated debt were severely affected and particular problems resulted in Turkey, with a collapsing Turkish lira, and in some South American countries where inflation was again out of control. In the UK, the growing political crisis over the terms of withdrawal from the European Union (EU) resulted in subdued retail sales over the Christmas period.

Over the year as a whole, the FTSE All Share Index fell by 13.0% and, including dividends, recorded a total return of -9.5%. European equities fell a little more at -13.2% in the level of the FTSE World Europe (ex UK) Index. America, fuelled by President Trump's tax cuts, performed best over the year, with a fall of 6.2% in the S&P 500 Index. Germany (-18.3%) and Emerging Markets (-16.1%) were the weakest of the major world markets according to the relevant FTSE Indices. The UK market, with more than two thirds of company profits arising in overseas economies, was perhaps more affected by international concerns than the political chaos caused by our elected politicians.

Within the UK equity market, large companies outperformed the more domestically focussed mid-sized companies. The FTSE 100 Index fell by 12.5% but the FTSE 250 Index of mid-sized companies fell by 15.6% and, with dividends included, the total return was -13.3%. A high proportion of companies in the FTSE 100 Index declare their results in US dollars and normally outperform when UK sterling's exchange rate declines against the US dollar. The FTSE Higher Yield Index, which is dominated by the large US dollar declaring resource and banking companies, also outperformed with a total return of -9.2%.

Bond yields remained very low in Europe and Japan, but rose marginally in America and in the UK. Ten year gilt yields closed the year just under 1.3% compared with 1.2% at the end of 2017. The total return on the FTSE All Stocks Gilt Index was +0.6%. Ten year US Treasury bond yields rose to 2.7% at the end of 2018 compared to 2.4% a year earlier. The Federal Reserve Funds rate in America was raised by 0.25% three times in 2018 to the closing level of 2.25%. In the UK the Base Rate was raised by 0.25% in August to 0.75%, the highest level since early 2009. In currency markets the pound fell by 5.6% against the US dollar and by 1.2% against the euro. The oil price rose for most of the year, but declined significantly in the last two months, closing at \$54 in the price of Brent crude oil, a fall of 20% over the year. Commodities were also weak with a fall of 18% in the price of copper.

Performance*

After strong relative and absolute performance in 2017, it was a disappointing year for investors. The total return on the Fund was -13.3%^, measured by the increase in the bid price of the accumulation units. Our return was significantly behind the All Share Index return of -9.5% but in line with the performance of the FTSE 250 index. The collapse of Conviviality in March accounted for more than the overall underperformance of the Fund against the All Share Index. The circumstances of the demise of Conviviality were explained in our interim report.

^ Source: Smith & Williamson Fund Administration Limited; Bid to Bid Basis to 12pm on 31 December 2018; net income reinvested.

In sector allocation, beneficial factors in our relative performance were the overweight holdings in Electronics and the absence of holdings in Tobacco, which we would not hold. In addition the underweight position in Banks benefitted performance. Our overweighting in Mobile Telecommunications was a negative influence on the portfolio. In stock selection Halma (+8%), Go Ahead Group (+9%) and Croda International (+8%) were positive contributors to performance and in the Mining sector, BHP Group (+14%) also outperformed the Index. Relative underperformers were Crest Nicholson Holdings (-35%), N Brown Group (-50% to the point of sale), Informa (-10%) and Babcock International Group (-28%).

* Source: FTSE All Share Indices and Bloomberg.

Investment Manager's report (continued)

Portfolio

During the year we sold the complete holding in Daily Mail & General Trust in the Media sector and reinvested in ITV. Structural changes in newspapers have continued to affect advertising revenues and circulation figures. ITV was trading on a higher yield and is benefitting from the value of its archive and its online streaming services. We sold John Wood Group, due to concerns about its balance sheet after its acquisition of AmecFosterWheeler. We sold our holding of N Brown Group as the climate for retail sales grew more challenging. We bought three new holdings in addition to ITV during the year. Phoenix Group Holdings is a consolidator of closed life assurance and pension funds, which acquired the business of Standard Life Assurance. In the Food Producers sector we acquired a new holding in Devro, the second largest global producer of food casings, mainly sausage skins, where the market for food casings is steadily growing. In the General Industrials sector we bought a new position in DS Smith, the packaging company, particularly cardboard boxes. At the end of December we were invested in 38 companies with an average yield of 5.2%.

Distribution

For the year as a whole the distribution was 4.6p, an increase of 2.2% compared with the 4.5p distributed in 2017, an increase of 4.5% over the 4.4p distributed in 2016 and an increase of 15% over the 4.0p distributed in 2015. We have a surplus of income to carry forward into this year.

Outlook*

A key concern towards the end of 2018 was the slowing rate of growth in the global economy and forecasts for 2019 are subject to modest downward revisions, particularly in China. In the early weeks of 2019 the political debate about the terms of the UK's exit from the EU remain clouded with uncertainty and there is increasing urgency as the exit date grows near. Nevertheless, aside from the retail sector, UK facing companies are trading steadily and consumer spending overall is holding up. With the recent fall in the oil price, the rate of inflation has declined. The latest rate of increase in the Consumer Prices Index was recorded at 2.1%, well down on the levels of 2018. There is much uncertainty ahead, both in the global economy and in the UK economy. As a result stock markets have been substantially de-rated. In the case of the UK equity market the valuation is now not far from recessionary levels and the yield on the market of 4.5% is looking exceptionally attractive. Consequently, we would expect long-term investors to be well rewarded from the current levels of share prices but there is clearly a further period of volatility to be endured, not least until the Brexit picture is clearer.

* Source: FTSE All Share Indices and Bloomberg.

OLIM Limited

22 January 2019

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Summary of portfolio changes

for the year ended 31 December 2018

The following represents the total purchases and major sales in the year to reflect a clearer picture of the investment activities.

	Cost
Purchases:	£
Lloyds Banking Group	597,539
DS Smith	527,925
Devro	449,846
Phoenix Group Holdings	351,948
BP	345,436
Royal Dutch Shell 'B'	301,109
Crest Nicholson Holdings	239,090
Centrica	178,895
ITV	175,074
Conviviality	48,772
	Proceeds
Sales:	£
Halma	871,057
Dechra Pharmaceuticals	853,659
Prudential	335,175
Legal & General Group	329,756
N Brown Group	310,150
Unilever	303,134
Beazley	293,994
Cineworld Group	292,302
Spectris	225,633
BP	206,968
John Wood Group	195,354
Daily Mail & General Trust	194,341
Informa	171,562
Royal Dutch Shell 'B'	168,584
GlaxoSmithKline	129,060
Vodafone Group	112,502
Croda International	104,933
Crest Nicholson Holdings	91,296
Eddie Stobart Logistics	69,929
Britvic	68,889

Portfolio statement

as at 31 December 2018

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom 97.46% (95.26%)			
Equities - incorporated within the United Kingdom 97.29% (94.96%)			
Oil & Gas 12.53% (8.72%)			
BP	343,000	1,701,108	6.57
Royal Dutch Shell 'B'	66,098	1,544,710	5.96
		<u>3,245,818</u>	<u>12.53</u>
Chemicals 5.36% (4.32%)			
Croda International	19,970	935,594	3.61
Johnson Matthey	16,252	453,918	1.75
		<u>1,389,512</u>	<u>5.36</u>
Basic Resources 4.54% (2.78%)			
BHP Group	32,000	527,936	2.04
Rio Tinto	17,400	648,933	2.50
		<u>1,176,869</u>	<u>4.54</u>
Industrial Goods & Services 12.78% (14.82%)			
Babcock International Group	126,500	618,964	2.40
DS Smith	139,000	415,610	1.60
Eddie Stobart Logistics	330,000	330,000	1.27
Halma	40,500	548,370	2.12
Midwich Group	60,000	286,800	1.11
Spectris	35,600	811,324	3.13
SThree	105,500	296,983	1.15
		<u>3,308,051</u>	<u>12.78</u>
Food & Beverage 4.37% (2.52%)			
Britvic	96,600	771,834	2.98
Devro	225,000	360,000	1.39
		<u>1,131,834</u>	<u>4.37</u>
Personal & Household Goods 7.60% (7.93%)			
Crest Nicholson Holdings	286,807	941,301	3.63
Unilever	25,000	1,027,125	3.97
		<u>1,968,426</u>	<u>7.60</u>
Health Care 7.60% (8.65%)			
Dechra Pharmaceuticals	43,100	891,308	3.44
GlaxoSmithKline	72,300	1,078,138	4.16
		<u>1,969,446</u>	<u>7.60</u>
Retail 0.00% (7.22%)		-	-

Portfolio statement (continued)

as at 31 December 2018

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - incorporated within the United Kingdom (continued)			
Media 4.44% (3.83%)			
Informa	162,500	1,023,750	3.95
ITV	101,000	126,099	0.49
		<u>1,149,849</u>	<u>4.44</u>
Travel & Leisure 9.39% (7.14%)			
Cineworld Group	357,900	941,993	3.64
Go-Ahead Group	34,900	533,272	2.06
Marston's	604,400	568,438	2.19
Restaurant Group	273,240	389,367	1.50
		<u>2,433,070</u>	<u>9.39</u>
Telecommunications 5.55% (6.44%)			
BT Group	244,800	582,746	2.25
Vodafone Group	558,300	853,641	3.30
		<u>1,436,387</u>	<u>5.55</u>
Utilities 5.82% (4.25%)			
Centrica	425,100	573,460	2.21
Pennon Group	68,800	476,646	1.84
United Utilities Group	62,200	457,419	1.77
		<u>1,507,525</u>	<u>5.82</u>
Banks 6.01% (3.56%)			
HSBC Holdings	172,600	1,116,377	4.31
Lloyds Banking Group	850,000	440,045	1.70
		<u>1,556,422</u>	<u>6.01</u>
Insurance 9.45% (10.76%)			
Beazley	178,400	898,244	3.47
Legal & General Group	262,000	605,220	2.34
Phoenix Group Holdings	66,000	371,580	1.43
Prudential	40,750	571,315	2.21
		<u>2,446,359</u>	<u>9.45</u>
Real Estate 1.85% (2.02%)			
British Land	89,650	478,014	1.85
		<u>25,197,582</u>	<u>97.29</u>
Total equities - incorporated within the United Kingdom			

Portfolio statement (continued)

as at 31 December 2018

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom (continued)			
Equities - incorporated outwith the United Kingdom 0.17% (0.30%)			
Insurance 0.17% (0.30%)			
Hansard Global	99,200	43,846	0.17
Total equities - incorporated outwith the United Kingdom		<u>43,846</u>	<u>0.17</u>
Total equities - United Kingdom		<u>25,241,428</u>	<u>97.46</u>
Portfolio of investments		25,241,428	97.46
Other net assets		658,525	2.54
Total net assets		<u>25,899,953</u>	<u>100.00</u>

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

The comparative figures in brackets are as at 31 December 2017.

United Kingdom equities are grouped in accordance with the Industry Classification Benchmark.

The Industry Classification Benchmark (ICB) is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use. "FTSE" is a trade and service mark of London Stock Exchange and the Financial Times Limited. "Dow Jones" and "DJ" are trade and service marks of Dow Jones & Company Inc. FTSE and Dow Jones do not accept any liability to any person for any loss or damage arising out of any error omission in the ICB.

Comparative table

The following disclosures give a unitholder an indication of the performance of a unit in the Fund. It also discloses the operating charges and direct transaction costs applied to each unit. Operating charges are those charges incurred in operating the Fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

Income units were first issued at 100.0p per unit on 6 June 2007.

Accumulation units were first issued at 100.0p per unit on 6 June 2007.

	Income			Accumulation		
	2018	2017	2016	2018	2017	2016
	p	p	p	p	p	p
Change in net assets per unit						
Opening net asset value per unit	107.93	97.64	94.64	177.26	153.56	142.05
Return before operating charges	(13.58)	15.63	8.17	(22.68)	25.06	12.70
Operating charges	(0.82)	(0.84)	(0.77)	(1.39)	(1.36)	(1.19)
Return after operating charges *	(14.40)	14.79	7.40	(24.07)	23.70	11.51
Distributions [^]	(4.60)	(4.50)	(4.40)	(7.69)	(7.19)	(6.72)
Retained distributions on accumulation units [^]	-	-	-	7.69	7.19	6.72
Closing net asset value per unit	88.93	107.93	97.64	153.19	177.26	153.56
* after direct transaction costs of:	0.04	0.03	0.03	0.07	0.03	0.03
Performance						
Return after charges	(13.34%)	15.15%	7.82%	(13.58%)	15.43%	8.10%
Other information						
Closing net asset value (£)	23,165,729	20,440,113	18,468,610	2,734,224	4,323,653	3,602,260
Closing number of units	26,050,622	18,937,790	18,914,404	1,784,828	2,439,213	2,345,793
Operating charges	0.68%	0.67%	0.68%	0.68%	0.67%	0.68%
Direct transaction costs	0.04%	0.02%	0.02%	0.04%	0.02%	0.02%
Prices						
Highest offer unit price	108.7	110.4	100.8	178.5	179.3	156.3
Lowest bid unit price	88.39	97.72	85.19	150.2	153.7	127.9

[^] Rounded to 2 decimal places.

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

Total expense ratio

The total expense ratio ('TER') provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The total expense ratio consists principally of the Manager's periodic charge and the Investment Manager's fee which are included in the annual management charge, but also includes the costs for other services paid.

	31.12.18	31.12.17
Annual management charge ^	0.60%	0.60%
Total expense ratio	0.08%	0.07%
Ongoing charges figure	0.68%	0.67%

^ Inclusive of VAT

Please note the ongoing charges figure is indicative of the charges which the Fund may incur in a year as it is calculated on historical data.

Financial statements - Charity Value & Income Fund

Statement of total return

for the year ended 31 December 2018

	Notes	2018		2017	
		£	£	£	£
Income:					
Net capital (losses) / gains	2		(4,953,012)		2,535,078
Revenue	3	1,109,506		975,200	
Expenses	4	<u>(171,748)</u>		<u>(157,349)</u>	
Net revenue			<u>937,758</u>		<u>817,851</u>
Total return before distributions			(4,015,254)		3,352,929
Distributions	6		(1,066,996)		(1,018,660)
Change in net assets attributable to unitholders from investment activities			<u><u>(5,082,250)</u></u>		<u><u>2,334,269</u></u>

Statement of change in net assets attributable to unitholders

for the year ended 31 December 2018

	2018		2017	
	£	£	£	£
Opening net assets attributable to unitholders		24,763,766		22,070,870
Share exchange issues on in specie transfers	8,400,052		-	
Amounts receivable on issue of units	1,780,758		328,238	
Amounts payable on cancellation of units	<u>(4,136,508)</u>		<u>(140,140)</u>	
		6,044,302		188,098
Change in net assets attributable to unitholders from investment activities		(5,082,250)		2,334,269
Retained distributions on accumulation units		174,135		170,529
Closing net assets attributable to unitholders		<u><u>25,899,953</u></u>		<u><u>24,763,766</u></u>

Balance sheet

as at 31 December 2018

	Notes	2018 £	2017 £
Assets:			
Fixed assets:			
Investments		25,241,428	23,590,654
Current assets:			
Debtors	7	121,716	109,057
Cash and bank balances	8	857,057	1,298,043
Total assets		<u>26,220,201</u>	<u>24,997,754</u>
Liabilities:			
Creditors:			
Distribution payable		(312,607)	(227,253)
Other creditors	9	(7,641)	(6,735)
Total liabilities		<u>(320,248)</u>	<u>(233,988)</u>
Net assets attributable to unitholders		<u>25,899,953</u>	<u>24,763,766</u>

B. McLean

J. Gordon

Directors

Smith & Williamson Fund Administration Limited

15 May 2019

Registered Charity number 1119289

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

The accounting policies are disclosed on pages 8 and 9.

2. Net capital (losses) / gains	2018	2017
	£	£
Non-derivative securities - realised gains	1,003,741	(11,458)
Non-derivative securities - movement in unrealised (losses) / gains	(5,954,770)	2,547,898
Transaction charges	(1,983)	(1,362)
Total net capital (losses) / gains	<u>(4,953,012)</u>	<u>2,535,078</u>

Unrealised gains/(losses) are disclosed as the movement in unrealised gains/(losses) on investments between the prior year and the current year. Where realised gains/(losses) on investments include unrealised gains/(losses) arising in previous periods, a corresponding gain/(loss) is included in unrealised gains/(losses).

3. Revenue	2018	2017
	£	£
UK revenue	1,067,420	918,420
Unfranked revenue	22,612	16,037
Overseas revenue	19,075	40,743
Bank and deposit interest	399	-
Total revenue	<u>1,109,506</u>	<u>975,200</u>

4. Expenses	2018	2017
	£	£
Payable to the Manager and associates		
Annual management charge	<u>152,690</u>	<u>142,475</u>
Payable to the Trustee		
Trustee fees	<u>9,201</u>	<u>9,000</u>
Other expenses:		
Audit fee	5,940	5,700
Safe custody fees	797	174
Publication fee	3,120	-
	<u>9,857</u>	<u>5,874</u>
Total expenses	<u>171,748</u>	<u>157,349</u>

5. Taxation

The Fund is a Registered Charity and is not subject to Income, Capital Gains and Corporation Tax. Distributions are paid and credited gross to unitholders on the basis that all UK taxation has been both reclaimed and received. No overseas taxation has been suffered on income arising or paid during the year.

Notes to the financial statements (continued)

for the year ended 31 December 2018

6. Distributions

The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:

	2018	2017
	£	£
Quarter 1 income distribution	208,316	208,058
Quarter 1 accumulation distribution	44,052	40,559
Interim income distribution	175,635	208,316
Interim accumulation distribution	44,564	41,004
Quarter 3 income distribution	299,214	208,316
Quarter 3 accumulation distribution	49,126	41,450
Final income distribution	312,607	227,253
Final accumulation distribution	36,393	47,516
	<u>1,169,907</u>	<u>1,022,472</u>
Equalisation:		
Amounts deducted on cancellation of units	112,952	3,791
Amounts added on issue of units	(215,863)	(7,603)
Total net distributions	<u>1,066,996</u>	<u>1,018,660</u>

Reconciliation between net revenue and distributions:

	2018	2017
	£	£
Net revenue per Statement of total return	937,758	817,851
Undistributed revenue brought forward	417,646	461,106
Expenses paid from capital	171,748	157,349
Undistributed revenue carried forward	(460,156)	(417,646)
Distributions	<u>1,066,996</u>	<u>1,018,660</u>

Details of the distribution per unit are disclosed in the Distribution table.

7. Debtors

	2018	2017
	£	£
Accrued revenue	<u>121,716</u>	<u>109,057</u>
Total debtors	<u>121,716</u>	<u>109,057</u>

8. Cash and bank balances

	2018	2017
	£	£
Total cash and bank balances	<u>857,057</u>	<u>1,298,043</u>

9. Other creditors

	2018	2017
	£	£
Accrued expenses:		
Payable to the Manager and associates		
Manager's periodic charge	-	820

Notes to the financial statements (continued)

for the year ended 31 December 2018

9. Other creditors (continued)	2018 £	2017 £
Other expenses:		
Trustee fees	-	49
Safe custody fees	141	127
Audit fee	5,940	5,700
Publication fee	1,560	-
Transaction charges	-	39
	<u>7,641</u>	<u>5,915</u>
Total accrued expenses	<u>7,641</u>	<u>6,735</u>
Total other creditors	<u>7,641</u>	<u>6,735</u>

10. Commitments and contingent liabilities

At the balance sheet date there are no commitments or contingent liabilities.

11. Unit classes

The Fund currently has two types of units classes: income and accumulation.

The following reflects the change in units in issue for each unit class in the year:

	Income
Opening units in issue	18,937,790
Total units issued in the year	1,876,368
Total units cancelled in the year	(3,034,788)
Total units converted in the year	8,271,252
Closing units in issue	<u>26,050,622</u>
	Accumulation
Opening units in issue	2,439,213
Total units issued in the year	615
Total units cancelled in the year	(655,000)
Closing units in issue	<u>1,784,828</u>

The annual management charge for the year ended 31 December 2018 is 0.60% (0.50% plus VAT at 20%).

The annual management charge includes the Manager's periodic charge and the Investment Manager's fee.

Further information in respect of the return per unit is disclosed in the Comparative table.

12. Related party transactions

Smith & Williamson Fund Administration Limited, as Manager is a related party due to its ability to act in respect of the operations of the Fund.

The Manager acts as principal in respect of all transactions of units in the Fund. The aggregate monies received and paid through the creation and cancellation of units are disclosed in the Statement of change in net assets attributable to unitholders.

Amounts payable to the Manager and its associates are disclosed in note 4. The amount due to the Manager and its associates at the balance sheet date is disclosed in note 9.

A unitholder with a holding in excess of 20% of the value of the Fund may be able to exercise significant influence over the financial and operating policies of the Fund with reference to unitholders' voting rights at general meetings and as such is deemed to be a related party.

There were no parties with an interest in excess of 20% of the Fund at any time during the year.

Notes to the financial statements (continued)

for the year ended 31 December 2018

13. Events after the balance sheet date

Subsequent to the year end, the net asset value per income unit has increased from 88.93p to 97.27p and the accumulation unit has increased from 153.19p to 169.69p as at 9 May 2019. This movement takes into account routine transactions but also reflects the market movements of recent months.

14. Transaction costs

a Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and security exchanges; and transfer taxes and duties.

Commission is a charge which is deducted from the proceeds of the sale of securities and added to the cost of the purchase of securities. This charge is a payment to agents, advisers, brokers and dealers in respect of their services in executing the trades.

Tax is payable on the purchase of securities in the United Kingdom. It may be the case that 'other taxes' will be charged on the purchase of securities in countries other than the United Kingdom.

The total purchases and sales and the related direct transaction costs incurred in these transactions are as follows:

	Purchases before transaction costs		Commission		Taxes		Financial transaction tax		Purchases after transaction costs
	£	£	%	£	%	£	%	£	
2018									
Equities	3,212,411	3,213	0.10%	10	0.00%	-	-	3,215,634	
Total	3,212,411	3,213	0.10%	10	0.00%	-	-	3,215,634	
2017									
Equities	1,238,015	2,476	0.20%	5	0.00%	-	-	1,240,496	
Total	1,238,015	2,476	0.20%	5	0.00%	-	-	1,240,496	

Capital events amount of £629,364 (2017: £nil) is excluded from the total purchases as there were no direct transaction costs charged in these transactions.

	In specie purchases before transaction costs		Commission		Taxes		Financial transaction tax		In specie purchases after transaction costs
	£	£	%	£	%	£	%	£	
2018									
Equities*	8,569,017	-	-	-	-	-	-	8,569,017	
Total	8,569,017	-	-	-	-	-	-	8,569,017	

* No direct transaction costs were incurred in these transactions.

Notes to the financial statements (continued)

for the year ended 31 December 2018

14. Transaction costs (continued)

a Direct transaction costs (continued)

	In specie purchases before transaction costs		Commission		Taxes		Financial transaction tax		In specie purchases after transaction costs
	£	£	%	£	%	£	%	£	
2017									
Equities	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
	Sales before transaction costs		Commission		Taxes		Financial transaction tax		Sales after transaction costs
	£	£	%	£	%	£	%	£	
2018									
Equities	5,818,072	(5,818)	0.10%	(41)	0.00%	(1)	0.00%	5,812,212	
Total	5,818,072	(5,818)	0.10%	(41)	0.00%	(1)	0.00%	5,812,212	
	Sales before transaction costs		Commission		Taxes		Financial transaction tax		Sales after transaction costs
	£	£	%	£	%	£	%	£	
2017									
Equities	1,635,466	(2,981)	0.18%	(3)	0.00%	-	-	1,632,482	
Total	1,635,466	(2,981)	0.18%	(3)	0.00%	-	-	1,632,482	

Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the Fund's average net asset value in the year:

	£	% of average net asset value
2018		
Commission	9,031	0.04%
Taxes	51	0.00%
Financial transaction tax	1	0.00%
2017		
Commission	5,457	0.02%
Taxes	8	0.00%

b Average portfolio dealing spread

The average portfolio dealing spread is calculated as the difference between the bid and offer value of the portfolio as a percentage of the offer value.

The average portfolio dealing spread of the investments at the balance sheet date was 0.32% (2017: 0.32%).

Notes to the financial statements (continued)

for the year ended 31 December 2018

15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Prospectus, the following are accepted by the Manager as being the main risks from the Fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the Manager's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the Manager, which sets the risk appetite and ensures continued compliance with the management of all known risks.

a Market risk

Market risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices and comprise three elements: other price risk, currency risk, and interest rate risk.

(i) Other price risk

The Fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The main element of the portfolio of investments which is exposed to this risk is equities which are disclosed in the Portfolio statement.

This risk is generally regarded as consisting of two elements: stock specific risk and market risk. Through these two factors, the Fund is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objective and policy.

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the Fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 31 December 2018, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders of the Fund would increase or decrease by approximately £1,262,071 (2017: £1,179,533).

(ii) Currency risk

Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. These fluctuations can also affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

Forward currency contracts may be used to manage the portfolio exposure to currency movements.

The Fund had no significant exposure to foreign currency in the year.

(iii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes.

During the year the Fund's direct exposure to interest rates consisted of cash and bank balances.

The amount of revenue receivable from bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

In the event of a change in interest rates, there would be no material impact upon the net assets of the Fund.

The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

There is no exposure to interest bearing securities at the balance sheet date.

Notes to the financial statements (continued)

for the year ended 31 December 2018

15. Risk management policies (continued)

b Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk.

The Trustee has appointed the custodian to provide custody services for the assets of the Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the Fund of default.

c Liquidity risk

A significant risk is the cancellation of units which investors may wish to sell and that securities may have to be sold in order to fund such cancellations if insufficient cash is held at the bank to meet this obligation. If there were significant requests for the redemption of units at a time when a large proportion of the portfolio of investments were not easily tradable due to market volumes or market conditions, the ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in units in the Fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded share capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The Fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the Fund may not be able to immediately sell such securities.

To reduce liquidity risk the Manager will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the Fund's assets consist of readily realisable securities. This is monitored on a monthly basis and reported to the Risk Committee together with historical outflows of the Fund.

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the Fund to meet large redemptions (50% of the net asset value and 80% of the net asset value), while still being able to adhere to its objective guidelines and the FCA investment borrowing regulations.

All of the financial liabilities are payable on demand.

d Fair value of financial assets and financial liabilities

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

To ensure this, the fair value pricing committee is a body appointed by the Manager to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the Fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

Valuation technique	Investment assets	Investment liabilities
	2018	2018
	£	£
Quoted prices	25,241,428	-
Observable market data	-	-
Unobservable data	-	-
	<u>25,241,428</u>	<u>-</u>

Notes to the financial statements (continued)

for the year ended 31 December 2018

15. Risk management policies (continued)

d Fair value of financial assets and financial liabilities (continued)

Valuation technique	Investment assets	Investment liabilities
	2017	2017
	£	£
Quoted prices	23,590,654	-
Observable market data	-	-
Unobservable data	-	-
	<u>23,590,654</u>	<u>-</u>

No securities in the portfolio of investments are valued using valuation techniques.

e Assets subject to special arrangements arising from their illiquid nature

There are no assets held in the portfolio of investments which are subject to special arrangements arising from their illiquid nature.

f Derivatives

The Fund may employ derivatives with the aim of reducing the Fund's risk profile, reducing costs or generating additional capital or revenue, in accordance with Efficient Portfolio Management.

The Manager monitors that any exposure is covered globally to ensure adequate cover is available to meet the Fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

For certain derivative transactions cash margins may be required to be paid to the brokers with whom the trades were executed and settled. These balances are subject to daily reconciliations and are held by the broker in segregated cash accounts that are afforded client money protection.

During the year there were no derivative transactions.

(i) Counterparties

Transactions in securities give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the Fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the Fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The Fund may transact in derivative contracts which potentially exposes the Fund to counterparty risk from the counterparty not settling their side of the contract. Transactions involving derivatives are entered into only with investment banks and brokers with appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Trustee.

At the balance sheet date, there are no securities in the portfolio of investments subject to a repurchase agreement.

(ii) Leverage

The leverage is calculated as the exposure generated through the use of derivatives (calculated in accordance with the commitment approach) divided by the net asset value.

There have been no leveraging arrangements in the year.

(iii) Global exposure

Global exposure is a measure designed to limit the leverage generated by a Fund through the use of financial derivative instruments, including derivatives with embedded assets.

At the balance sheet date there is no global exposure to derivatives.

There have been no collateral arrangements in the year.

Distribution table

for the year ended 31 December 2018

Distributions on income units in pence per unit

Payment date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.18	group 1	quarter 1	1.100	-	1.100	1.100
31.05.18	group 2	quarter 1	1.100	-	1.100	1.100
31.08.18	group 1	interim	1.100	-	1.100	1.100
31.08.18	group 2	interim	-	1.100	1.100	1.100
30.11.18	group 1	quarter 3	1.200	-	1.200	1.100
30.11.18	group 2	quarter 3	-	1.200	1.200	1.100
28.02.19	group 1	final	1.200	-	1.200	1.200
28.02.19	group 2	final	-	1.200	1.200	1.200

Equalisation

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

Quarter 1 distribution:

Group 1 Units purchased before 1 January 2018
Group 2 Units purchased 1 January 2018 to 31 March 2018

Interim distribution:

Group 1 Units purchased before 1 April 2018
Group 2 Units purchased 1 April 2018 to 30 June 2018

Quarter 3 distribution:

Group 1 Units purchased before 1 July 2018
Group 2 Units purchased 1 July 2018 to 30 September 2018

Final distribution:

Group 1 Units purchased before 1 October 2018
Group 2 Units purchased 1 October 2018 to 31 December 2018

Distribution table (continued)

for the year ended 31 December 2018

Distributions on accumulation units in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.18	group 1	quarter 1	1.806	-	1.806	1.729
31.05.18	group 2	quarter 1	1.806	-	1.806	1.729
31.08.18	group 1	interim	1.827	-	1.827	1.748
31.08.18	group 2	interim	1.827	-	1.827	1.748
30.11.18	group 1	quarter 3	2.014	-	2.014	1.767
30.11.18	group 2	quarter 3	2.014	-	2.014	1.767
28.02.19	group 1	final	2.039	-	2.039	1.948
28.02.19	group 2	final	-	2.039	2.039	1.948

Equalisation

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

Accumulation distributions

Holders of accumulation units should add the distributions received thereon to the cost of the units for capital gains tax purposes.

Quarter 1 distribution:

Group 1 Units purchased before 1 January 2018
 Group 2 Units purchased 1 January 2018 to 31 March 2018

Interim distribution:

Group 1 Units purchased before 1 April 2018
 Group 2 Units purchased 1 April 2018 to 30 June 2018

Quarter 3 distribution:

Group 1 Units purchased before 1 July 2018
 Group 2 Units purchased 1 July 2018 to 30 September 2018

Final distribution:

Group 1 Units purchased before 1 October 2018
 Group 2 Units purchased 1 October 2018 to 31 December 2018

Remuneration

Remuneration code disclosure

The remuneration committee is responsible for setting remuneration policy for all partners, directors and employees within the Smith and Williamson Group including individuals designated as Material Risk Takers (MRT) under the Remuneration Code. The remuneration policy is designed to be compliant with the Code and provides a framework to attract, retain, motivate and reward partners, directors and employees. The overall policy is designed to promote the long-term success of the group and to support prudent risk management, with particular attention to conduct risk.

Remuneration committee

The remuneration committee report contained in pages 58-61 of the Smith & Williamson Report and Financial Statements for the year ended 30 April 2018 (available <http://smithandwilliamson.com/about-us/financial-reports>) includes details on the remuneration policy. The remuneration committee comprises five non-executive directors and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met eight times during 2017-18.

Remuneration policy

The main principles of the remuneration policy are:

- to align remuneration with the strategy and performance of the business
- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices
- to foster and support conduct and behaviours which are in line with our culture and values
- to maintain a sound risk management framework
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking
- to comply with all relevant regulatory requirements
- to align incentive plans with the business strategy and shareholder interests.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy. As part of a “balanced scorecard” approach to variable remuneration non-financial criteria including, but not limited to, compliance and risk issues, client management, supervision, leadership and teamwork are considered alongside financial performance.

Remuneration systems

The committee reviews all partners and directors fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a deferred option plan, Equity Matching Plan, Matching Share Plan, Executive Long Term Incentive Plan and an Investment Management Long Term Incentive Plan.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of employees typically comprises of a salary with benefits including pension contribution, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners, directors and associate directors are also eligible to participate, at the invitation of the committee, in the equity incentive plans described above.

When setting variable remuneration for the executive directors, the committee considers overall business profit for the group and divisions, achievement of both financial and non-financial objectives (including adherence to the principles of treating customers fairly, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the board in respect of the year ended 30 April 2018. The committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

Aggregate Quantitative Information

The total amount of remuneration paid by Smith & Williamson Fund Administration Limited (SWFAL) is nil as SWFAL has no employees. However, a number of employees have remuneration costs recharged to SWFAL and the annualised remuneration for these 78 employees is £3,741,023 of which £3,391,428 is fixed remuneration. This is based on the annualised salary and benefits for those identified as working in SWFAL as at 30 April 2018. Any variable remuneration is awarded for the year ending 30 April 2018. This information excludes any senior management or other Material Risk Takers (MRTs) whose remuneration information is detailed on the next page.

Remuneration (continued)

Aggregate Quantitative Information (continued)

Smith & Williamson reviews its MRTs at least annually. These individuals are employed by and provide services to other companies in the Smith & Williamson group. It is difficult to apportion remuneration for these individuals in respect of their duties to SWFAL. For this reason, the aggregate total remuneration awarded for the financial year 2017-18 for senior management and other MRTs detailed below has not been apportioned.

Table to show the aggregate remuneration split by Senior Management and other MRTs for SWFAL (£000)	Financial Year ending 30 April 2018				
	Fixed	Variable		Total	No. MRTs
		Cash	Equity		
Senior Management	£2,906	£1,872	£563	£5,341	15
Other MRTs	£1,506	£864	£186	£2,556	11
Total	£4,412	£2,736	£749	£7,897	26

Investment Manager

The Manager delegates the management of the Scheme's liquid assets to OLIM Limited and pays to OLIM Limited, out of the Manager's annual management charge, a monthly fee calculated on the total value of the portfolio of investments at the month end. OLIM Limited are compliant with the Capital Requirements Directive regarding remuneration and therefore OLIM Limited staff are covered by remuneration regulatory requirements.

Further information

Distributions and reporting dates

Where net revenue is available it will be distributed/allocated quarterly on 31 May (interim), 31 August (interim), 30 November (interim) and the last day in February (final). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 January	final
	1 April	quarter 1
	1 July	interim
	1 October	quarter 3

Reporting dates:	31 December	annual
	30 June	interim

Buying and selling units

The Fund will be valued as though it was an authorised unit trust subject to the terms of the Financial Conduct Authority Collective Investment Schemes sourcebook ('COLL'). The property of the Fund is valued every business day at 12 noon and prices of units are calculated as at that time. Units can be bought at the offer price and sold at the bid price. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

The minimum initial lump sum purchase value of units in the Fund is currently £1,000. The minimum holding of units in the Fund at any time in terms of value is currently £1,000. The minimum value of units in the Fund which may be the subject of any one sale or purchase is £1,000. The Manager may in its discretion waive any or all of the above minima either generally or in any particular case.

The Manager is entitled to receive and retain for its own use and benefit an initial charge to be included in the issue price of units. Should the Manager make an initial charge, this will not exceed 5%.

Prices of units and the estimated yield of the unit classes are published on the following website: www.fundlistings.com or may be obtained by calling 0141 222 1151.

Appointments

Manager and Registered office

Smith & Williamson Fund Administration Limited
25 Moorgate
London EC2R 6AY
Telephone: 020 7131 4000
Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar

Smith & Williamson Fund Administration Limited
206 St. Vincent Street
Glasgow G2 5SG
Telephone: 0141 222 1151 (Registration)
0141 222 1150 (Dealing)
Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

Brian McLean
David Cobb
James Gordon
Kevin Stopps
Paul Wyse
Grant Hotson - resigned 11 March 2019

Non-Executive Directors of the Manager

Dean Buckley - appointed 29 August 2018
Linda Robinson - appointed 29 August 2018
Victoria Muir - appointed 29 August 2018

Investment Manager

OLIM Limited
1 King's Arms Yard
London EC2R 7AF
Authorised and regulated by the Financial Conduct Authority

Trustee

NatWest Trustee & Depositary Services Limited
2nd Floor
Drummond House
1 Redheughs Avenue
Edinburgh EH12 9RH
Authorised and regulated by the Financial Conduct Authority

Auditor

Beavis Morgan Audit Limited
Chartered Accountants and Statutory Auditors
82 St John Street
London EC1M 4JN