

IFSL CH Special Mandates Fund (formerly SVS CH Special Mandates Fund)

Annual Report

for the year ended 30 September 2022

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## IFSL CH Special Mandates Fund (formerly SVS CH Special Mandates Fund) Report of the Authorised Corporate Director ('ACD')

The ACD, presents the Annual Report for IFSL CH Special Mandates Fund (formerly SVS CH Special Mandates Fund) for the year ended 30 September 2022.

IFSL CH Special Mandates Fund ('the Company') is an authorised open-ended investment company with variable capital ('ICVC') further to an authorisation order dated 8 November 2007. The Company is incorporated under registration number IC000588. It is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ('COLL'), as published by the Financial Conduct Authority ('FCA').

The Company has been set up as an umbrella company. Provision exists for an unlimited number of sub-funds to be included within the umbrella and additional sub-funds may be established by the ACD with the agreement of the Depositary and the approval of the FCA. The sub-funds represent segregated portfolios of assets and, accordingly, the assets of a sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (indirectly or directly) the liabilities of claim against, any other person or body, and any other sub-fund and shall not be available for any such purpose.

The ACD 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 Company consist predominantly of securities which are readily realisable and, accordingly, the Company 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.

On 24 February 2022, Russian troops started invading Ukraine. In response, multiple jurisdictions have imposed economic sanctions on Russia and Belarus. In addition, a growing number of public and private companies have announced voluntary actions to curtail business activities with Russia and Belarus. As ACD we continue to monitor the events as they unfold. In particular, IFSL CH Special Mandates Fund does not have direct exposure to the Russian market.

The shareholders are not liable for the debts of the Company.

The Company has no Directors other than the ACD.

The Instrument of Incorporation can be inspected at the offices of the ACD.

Copies of the Prospectus and Key Investor Information Document ('KIID') are available on request free of charge from the ACD.

### Investment objective and policy

The investment objective and policy of each sub-fund is disclosed within the Investment Manager's report of the individual sub-funds.

### Sub-funds

There are two sub-funds available in the Company:

IFSL Church House Tenax Absolute Return Strategies Fund (formerly SVS Church House Tenax Absolute Return Strategies Fund)

- A Shares Income and Accumulation
- B Shares Income and Accumulation
- C Shares Income and Accumulation
- I Shares Income and Accumulation

IFSL Church House UK Smaller Companies Fund (formerly SVS Church House UK Smaller Companies Fund)

- A Shares Accumulation
- B Shares Accumulation

### Cross holdings

At the balance sheet date IFSL Church House Tenax Absolute Return Strategies Fund held 2,050,000 shares in IFSL Church House UK Smaller Companies Fund.

## Report of the Authorised Corporate Director (continued)

### Changes affecting the Company in the year

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

Smith & Williamson Fund Administration Limited changed name to Evelyn Partners Fund Solutions Limited on 10 June 2022.

### Changes affecting the Company subsequent to the year

As at 1 October 2022, the following changes were made to the Company, name changed to IFSL CH Special Mandates Fund and Investment Fund Services Limited became ACD of the Company.

Further information in relation to the Company is illustrated on page 67.

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the Annual Report on behalf of the ACD, Investment Fund Services Limited.



Allan Hamer  
Director  
Investment Fund Services Limited  
26 January 2023



Helen Redmond

## Statement of the Authorised Corporate Director's responsibilities

The Collective Investment Schemes sourcebook ('COLL') published by the FCA, requires the Authorised Corporate Director ('ACD') to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net revenue and net capital losses on the property of the Company for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for the Financial Statements of UK Authorised Funds ('the SORP') issued by The Investment Association in May 2014 and amended in June 2017;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company'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 Company 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;
- taking reasonable steps for the prevention and detection of fraud and irregularities; and
- the maintenance and integrity of the Company's information on the ACD's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COLL also requires the ACD to carry out an Assessment of Value on the Company and publish this assessment. The Assessment of Value will be published on the ACD's website.

The ACD is responsible for the management of the Company in accordance with the Instrument of Incorporation, the Prospectus and COLL.

## Report of the Depositary to the shareholders of IFSL CH Special Mandates Fund

### Depositary's responsibilities

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

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

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

The Depositary must ensure that:

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

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

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

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

NatWest Trustee and Depositary Services Limited  
26 January 2023

## Independent Auditor's report to the shareholders of IFSL CH Special Mandates Fund

### Opinion

We have audited the financial statements of IFSL CH Special Mandates Fund (formerly SVS CH Special Mandates Fund) (the 'Company') for the year ended 30 September 2022 which comprise the Statements of Total Return, Statements of Change in Net Assets Attributable to Shareholders, Balance Sheets, the related Notes to the Financial Statements, including significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company at 30 September 2022 and of the net revenue and the net capital losses on the property of the Company for the year then ended; and
- have been properly prepared in accordance with the IA Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority 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 described further 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

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

### 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 Authorised Corporate Director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on Other Matters Prescribed by the Collective Investment Schemes sourcebook

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

- Proper accounting records for the Company have been kept and the accounts are in agreement with those records;
- We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- The information given in the Authorised Corporate Director's report for the year is consistent with the financial statements.

## Independent Auditor's report to the shareholders of IFSL CH Special Mandates Fund (continued)

### Responsibilities of the Authorised Corporate Director

As explained more fully in the Statement of the Authorised Corporate Director's responsibilities set out on page 4, the Authorised Corporate Director 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 Authorised Corporate Director 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 Authorised Corporate Director 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 Authorised Corporate Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

#### *Extent to which the audit is considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect 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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 and the IA Statement of Recommended Practice for Authorised Funds
- the Financial Conduct Authority's Collective Investment Schemes sourcebook
- the Company's Prospectus

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of the Authorised Corporate Director. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and the Company's breaches register.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how the Authorised Corporate Director was remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how the Authorised Corporate Director oversees the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.



## Independent Auditor's report to the shareholders of IFSL CH Special Mandates Fund (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

#### *Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)*

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Authorised Corporate Director in its calculation of accounting estimates for potential management bias; and
- Assessing the Company's compliance with the key requirements of the Collective Investment Schemes sourcebook and its Prospectus.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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>

### Use of Our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. 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.



Johnston Carmichael LLP  
Chartered Accountants  
Statutory Auditor  
Bishop's Court  
29 Albyn Place  
Aberdeen, AB10 1YL  
26 January 2023

## Accounting policies of IFSL CH Special Mandates Fund

for the year ended 30 September 2022

### 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 and amended in June 2017.

The ACD has considered a detailed assessment of the sub-funds' ability to meet their liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the sub-funds continue to be open for trading and the ACD is satisfied the sub-funds have adequate financial resources to continue in operation for at least the next 12 months and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

### b *Valuation of investments*

The purchase and sale of investments are included up to close of business on 30 September 2022.

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 30 September 2022 with reference to quoted bid prices from reliable external sources.

Collective investment schemes are valued at the bid price for dual priced funds and at the single price for single priced funds and are valued at their most recent published price prior to the close of business valuation on 30 September 2022.

Structured products are valued at fair value and calculated by an independent source. Structured product holdings in the portfolio statement are valued using valuation models where the inputs are unobservable. The ACD engages a third party to provide valuations for these investments.

Where an observable market price is unreliable or does not exist, investments are valued at the ACD'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 sub-funds is UK sterling which is taken to be the sub-funds' functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements of each sub-fund.

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.

Zero dividend preference shares carry no entitlement to dividends but give a preferential right to receive a repayment of capital and a premium from the capital reserves of an investment company. Accordingly, the returns are recognised as capital and do not form part of the sub-fund's distribution.

Distributions from collective investment schemes are recognised as revenue on the date the securities are quoted ex-dividend. Equalisation on distributions from collective investment schemes is deducted from the cost of the investment and does not form part of the sub-fund's distribution.

## Accounting policies of IFSL CH Special Mandates Fund (continued)

for the year ended 30 September 2022

### d Revenue (continued)

Distributions from collective investment schemes which are re-invested on behalf of the sub-funds are recognised as revenue on the date the securities are quoted ex-dividend and form part of the sub-funds' distribution.

Excess reportable income from reporting offshore funds is recognised as revenue when the reported distribution rate is available and forms part of the sub-funds' distribution.

Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case.

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

Interest on debt securities is recognised on an effective yield basis. Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the sub-funds. The amortised amounts are accounted for as revenue or as an expense and form part of the distributable revenue of the sub-funds. Amortisation is calculated at each month end.

### e Expenses

All expenses, other than those relating to the purchase and sale of investments, are charged to revenue on an accrual basis.

Bank interest paid is charged to revenue.

### f Allocation of revenue and expenses to multiple share classes

All revenue and expenses which are directly attributable to a particular share class are allocated to that class. All revenue and expenses which are attributable to the sub-funds are allocated to the sub-funds and are normally allocated across the share classes pro rata to the net asset value of each class on a daily basis.

### g Taxation

Tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

UK corporation tax is provided as amounts to be paid/recovered using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at 30 September 2022 to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Provision for deferred tax assets are only made to the extent the timing differences are expected to be of future benefit.

All foreign dividend revenue is recognised as a gross amount which includes any withholding tax deducted at source. Where foreign tax is withheld in excess of the applicable treaty rate a tax debtor is recognised to the extent that the overpayment is considered recoverable.

When a disposal of a holding in a non-reporting offshore fund is made, any gain is an offshore income gain and tax will be charged to capital.

### h Efficient Portfolio Management

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.

## Accounting policies of IFSL CH Special Mandates Fund (continued)

for the year ended 30 September 2022

### *i Dilution levy*

The need to charge a dilution levy will depend on the volume of sales or redemptions. The ACD may charge a discretionary dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected, and if charging a dilution levy is, so far as practicable, fair to all shareholders and potential shareholders. Please refer to the Prospectus for further information.

### *j Distribution policies*

#### *i Basis of distribution*

##### *IFSL Church House Tenax Absolute Return Strategies Fund*

The distribution policy is to distribute all available revenue after deduction of expenses payable from revenue. Distributions attributable to income shares are paid to shareholders. Distributions attributable to accumulation shares are re-invested in the sub-fund on behalf of the shareholders.

##### *IFSL Church House UK Smaller Companies Fund*

The distribution policy is to distribute all available revenue after deduction of expenses payable from revenue. Distributions attributable to accumulation shares are re-invested in the sub-fund on behalf of the shareholders.

#### *ii Unclaimed distributions*

Distributions to shareholders outstanding after 6 years are taken to the capital property of the sub-funds.

#### *iii Revenue*

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

#### *iv Expenses*

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

## IFSL Church House Tenax Absolute Return Strategies Fund

### Investment Manager's report

#### Investment objective and policy

The sub-fund aims to provide an absolute return, aiming to achieve positive returns over rolling twelve-month periods at low levels of volatility (meaning changes in value of up to 5% per annum in normal market conditions).

Capital invested in the sub-fund is at risk and there is no guarantee that a positive return will be achieved over a rolling twelve-month, or any other period.

The sub-fund is actively managed and will gain a diverse exposure to a range of global asset classes. The sub-fund may at any one time be invested in one or more of the following: fixed interest securities, equities, other collective investment schemes, money market instruments, deposits, and cash and near cash. The sub-fund may invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of a sub-fund or one of its associates. No more than 10% of the sub-fund's total assets may be invested in collective investments schemes.

The Investment Manager has no fixed asset allocation for any asset class but will change the asset mix in the sub-fund from time to time, considering market conditions, in a way that, in the Investment Manager's view, is consistent with the sub-fund's aim to maintain a low level of volatility. As such, the sub-fund may hold high proportions in cash and other lower-risk assets such as cash, near cash, money market instruments and deposits.

The Investment Manager is not constrained by any particular asset allocation in respect of geography, industry or sector. The equities in which the sub-fund invests may be from companies anywhere in the world. The fixed interest securities may include floating rate notes, index linked or convertible securities.

#### Investment performance

Performance* over:	1 year	3 years	5 years
IFSL Church House Tenax Absolute Return Strategies Fund A Accumulation	-10.7%	-5.4%	-4.1%
IFSL Church House Tenax Absolute Return Strategies Fund B Accumulation	-10.5%	-4.6%	-2.7%
Annual Volatility** 'A' shares	5.9%	5.3%	4.2%

\* Source: Bloomberg and Evelyn Partners Fund Solutions Limited. Based on mid prices at 12pm on 30 September 2022.

\*\* Volatility is the annual standard deviation of monthly returns expressed as a percentage.

Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this share class is calculated in sterling.

The comparative benchmarks produced the following performance<sup>^</sup> over the year from 1 October 2021 to 30 September 2022:

SONIA Compounded Index	0.73%
IA Targeted Absolute Return Sector	-1.74%
FTSE 100 TR	0.90%

<sup>^</sup> Source: FE fundinfo

## Investment Manager's report (continued)

### Investment activities

These comments refer to the latter six months of the sub-fund's year as we reported on the first six months in April.

As we enter the fourth quarter of a difficult year for practically all asset classes we have gradually been shifting the asset mix of the sub-fund's portfolio to the areas where we see the greatest opportunities:

2022	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22	Change YTD
Cash	1.5%	1.0%	0.8%	1.1%	-0.4%
Treasury / T-Bill	0.0%	0.0%	0.0%	0.0%	0.0%
FRN (AAA)	38.2%	35.8%	34.5%	35.1%	-3.0%
Floating Rate	1.1%	1.2%	1.1%	1.3%	0.1%
Fixed Interest	32.2%	34.4%	35.0%	34.8%	2.6%
Index-Linked	1.4%	1.4%	1.3%	1.3%	-0.1%
Infrastructure	5.8%	5.6%	6.1%	6.0%	0.2%
Convert / ZDP	7.4%	7.0%	7.3%	7.1%	-0.3%
Alternative / Hedge	0.0%	0.0%	0.0%	0.0%	0.0%
Property / Real	3.1%	3.6%	3.5%	3.3%	0.2%
Equity	9.4%	9.9%	10.2%	10.1%	0.7%

Source: Church House Investment Management.

This has been an uncomfortable period for the IFSL Church House Tenax Absolute Return Strategies Fund. The dramatic falls in fixed interest markets, particularly over the final two weeks of September, took their toll right across asset markets. The 35% invested in floating rate notes ('FRNs') was the anchor for the portfolio, otherwise there was essentially nowhere to hide. The moves in fixed interest markets have been across all time periods, for shorter-dated investments it is now looking extreme.

Over the three months to the end of June we added to Fixed Interest holdings, we did not wish to extend the 'duration' of the holdings, that would add too much risk. New holdings included Blackstone Private Credit Fund 4.875% 14/04/2026 and Whitbread Group 2.375% 31/05/2027. The Infrastructure investments generally did well over this quarter. Overall, we continued to sell-down the more 'conventional' infrastructure holdings such as HICL Infrastructure, which has now gone entirely, and International Public Partnerships, though we did support the (discounted) placing that the latter undertook in April. In contrast, we continued to add to the energy efficiency holdings, taking a further placing from Gresham House Energy Storage, these now account for the majority of the holdings.

Within the Equity section, Aviva made a significant return of capital of just over £1 per share in May and consolidated their share capital. We re-invested the money returned into more Aviva equity, maintaining our weighting. Gone from the portfolio were Rathbones Brothers whose stock jumped in the wake of the bid for Brewin Dolphin and the remaining small holding in Arix Bioscience. We made additions to the holding in the Swedish company Investor and Lloyds Banking Group. The bank holdings in the portfolio, Barclays, Lloyds Banking Group and Standard Chartered, did act as something of a hedge against rising interest rates over the quarter.

Over the final quarter to the end of September the return on the FRNs in the portfolio began to increase markedly, in line with the increases in the bank base rate. They all pay quarterly interest that adjusts (in arrears) with the overnight interest rate benchmark, Sterling Overnight Index Average ('SONIA'), currently at 2.2%. They do all pay a premium to the SONIA rate such that the overall interest yield from them at the end of September was 2.7% and rising. Because the rate of interest that they pay increases with market rates, the capital value of the FRNs remains steady. As the table shows, we have gradually been reducing the FRNs in favour of Fixed Interest as rates have risen. We are concentrating on the short-dated area, in fact the 'duration' of the Fixed Interest portion had gone down from 4.1 to 3.8 since the end of June.

## Investment Manager's report (continued)

### Investment activities (continued)

The Infrastructure investments continued to benefit the portfolio until late-September when contagion from the increase in long-term interest rates created something of a panic. These companies do have portfolios of long-dated infrastructure investments so there is logic to this. We have continued to sell-down the more 'conventional' infrastructure holdings and no longer hold any HICL Infrastructure or International Public Partnerships. Our preference remains to add to the energy efficiency holdings and we have recently supported a placing by SDCL Energy Efficiency Income Trust. We have also been building-up the holding in Harmony Energy Income Trust, partly at the expense of Gresham House Energy Storage Fund. Shares in the commercial property companies have had a dreadful quarter. This is also beginning to look extreme and we are considering an addition in this area. There were no changes to the Convertible holdings, one of our three remaining zero dividend preference shares reached maturity so has now gone.

### Investment strategy and outlook

An appalling quarter on so many fronts ended at just about the worst point possible for investors. It had started reasonably well with an improvement in equity and bond markets through July and early August. Putin's 'gas attack' on Europe in mid-August put paid to this, and energy prices leapt again, adding to concerns here as UK inflation for July breached the 10% mark.

Gilts don't often hit the headlines, but that all changed in the week following Kwasi Kwarteng's 'Fiscal Statement' on 23 September 2022. This was a shockingly inept display from the new Government, how did they expect markets to react, particularly the gilt market, when they announce 'spend, spend, spend' with no indication of how this was to be paid for.

The price of gilts duly collapsed and, despite some disappointing misinformation on the topic from the British Broadcasting Corporation, it was true to say that the gilt market had fallen into disarray and was not functioning properly. This was the moment when the Bank of England ('BoE'), correctly, stepped in to provide a backstop and some order was restored. The result is that available rates of interest for longer periods have reversed the falls of the past twelve years since the financial crisis of 2008/2009. The shock was that it happened so quickly, leaving holders of longer-dated gilts (and other fixed interest securities) nursing heavy capital losses.

Inflation is still the key to all this. Led by the US Federal Reserve, central banks, including the BoE, have been raising their base interest rates in an attempt to tackle it, and we expect to see more increases. Here, and in Europe, consumers and businesses are to be shielded from the prospect of massive jumps in fuel prices (though these are abating somewhat), which will provide significant relief. But central bank (and inept political) actions mean that a mild recession in the US looks likely now, while the European economy is already in recession as probably, is ours.

The better side of the coin is that, for the first time in years, there are decent returns on offer in the gilt market and, particularly, in the credit markets. We consider that these markets, along with equity markets, have now 'priced-in' a lot of bad news.

Church House Investments Limited

28 October 2022

## Summary of portfolio changes

for the year ended 30 September 2022

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

	Cost
	£
Purchases:	
Canadian Imperial Bank of Commerce 3.1161% 15/12/2025	12,759,520
Rothsay Life 5% Perpetual	8,000,000
Bank of Montreal 3.083283% 09/03/2027	6,176,280
National Australia Bank 3.1161% 15/12/2025	5,141,700
Clydesdale Bank 1.98978% 22/01/2027	5,000,000
Derwent London 1.875% 17/11/2031	4,724,635
TSB Bank 2.8189% 15/02/2024	4,436,879
DBS Bank 2.959773% 17/11/2025	4,114,520
Harmony Energy Income Trust	4,037,007
Unilever 2.125% 28/02/2028	3,985,560
Virgin Money UK 4% 25/09/2026	3,939,500
Clydesdale Bank 2.313679% 22/03/2026	3,500,000
NatWest Group 3.619% 29/03/2029	3,000,000
KBC Group 5.5% 20/09/2028	2,992,950
Tesco Corporate Treasury Services 1.875% 02/11/2028	2,978,880
GSK Consumer Healthcare Capital 2.875% 29/10/2028	2,498,675
Blackstone Private Credit Fund 4.875% 14/04/2026	2,492,725
ELM BV for Swiss Re 3.25% 13/06/2024	2,350,492
NatWest Group 2.057% 09/11/2028	2,000,000
Aviva	1,994,274

	Proceeds
	£
Sales:	
Toronto-Dominion Bank 0.52% 24/06/2022	11,862,715
Royal Bank of Canada 2.77273% 03/10/2024	10,832,470
European Investment Bank 0.4% 29/06/2023	10,034,000
Leeds Building Society 0.6703% 15/04/2023	8,133,642
European Investment Bank 2.6989% 18/01/2027	7,248,600
Barclays 2.375% 06/10/2023	5,921,668
European Bank for Reconstruction & Development 1.0501% 20/11/2025	5,144,160
Yorkshire Building Society 2.5754% 19/11/2023	5,025,000
Asian Development Bank 1.8511% 12/10/2023	5,008,850
Lloyds Bank 0.4202% 03/02/2023	5,002,740
Landesbank Baden-Wuerttemberg 1.5% 03/02/2025	4,782,250
Canadian Imperial Bank of Commerce 0.5302% 28/10/2022	4,516,425
National Westminster Bank 0.649957% 22/03/2023	4,021,240
Nationwide Building Society 0.80034% 10/01/2024	4,019,880
Siemens Financieringsmaatschappij 0.875% 05/06/2023	3,949,500
International Public Partnerships	3,410,565
Diageo Finance 2.875% 27/03/2029	3,325,440
GlaxoSmithKline Capital 1.25% 12/10/2028	3,311,600
Glencore Funding 0% 27/03/2025	3,283,673
NB Private Equity Partners	3,038,913



Portfolio statement  
as at 30 September 2022

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities* 68.69% (67.31%)			
Aaa to Aa2 31.72% (32.37%)			
Asian Development Bank 1.8511% 12/10/2023**	£4,500,000	4,504,725	1.15
Bank of Montreal 3.083283% 09/03/2027**	£6,000,000	6,076,860	1.55
Bank of Nova Scotia 3.110649% 14/03/2025**	£9,000,000	9,106,200	2.32
Barclays Bank UK 2.4289% 15/05/2023**	£5,300,000	5,303,922	1.35
Canadian Imperial Bank of Commerce 3.1161% 15/12/2025**	£12,400,000	12,519,908	3.18
Clydesdale Bank 1.98978% 22/01/2027**	£5,000,000	4,933,450	1.25
Clydesdale Bank 2.313679% 22/03/2026	£3,500,000	3,502,870	0.89
CPPIB Capital 3.366104% 15/06/2026**	£7,000,000	7,233,450	1.84
DBS Bank 2.959773% 17/11/2025**	£4,000,000	4,039,280	1.03
Deutsche Pfandbriefbank 3.192741% 29/09/2023**	£1,500,000	1,507,095	0.38
European Investment Bank 2.4397% 12/03/2026**	£10,528,000	10,578,955	2.69
European Investment Bank 2.6989% 18/01/2027**	£3,000,000	3,098,550	0.79
HSBC UK Bank 2.730649% 25/08/2027**	£1,500,000	1,497,000	0.38
National Australia Bank 2.3511% 04/02/2025**	£5,000,000	4,989,250	1.27
National Australia Bank 3.1161% 15/12/2025**	£5,000,000	5,060,400	1.29
Royal Bank of Canada 2.26461% 30/01/2025**	£7,000,000	6,983,410	1.78
Royal Bank of Canada 2.77273% 03/10/2024**	£5,000,000	5,003,550	1.27
Santander UK 2.6683% 12/02/2024**	£3,000,000	3,012,900	0.77
TSB Bank 2.524418% 22/06/2028**	£5,000,000	4,904,250	1.25
TSB Bank 2.8189% 15/02/2024**	£9,364,000	9,418,311	2.40
United Overseas Bank 3.148944% 21/09/2026**	£6,000,000	6,089,700	1.55
Yorkshire Building Society 2.5754% 19/11/2023**	£5,250,000	5,262,810	1.34
		<u>124,626,846</u>	<u>31.72</u>
Aa3 to A1 1.85% (2.45%)			
Close Brothers Finance 1.625% 03/12/2030	£3,000,000	2,083,170	0.53
Metropolitan Life Global Funding I 0.625% 08/12/2027	£2,500,000	1,899,225	0.48
Unilever 2.125% 28/02/2028	£4,000,000	3,327,360	0.84
		<u>7,309,755</u>	<u>1.85</u>
A2 to A3 3.05% (5.59%)			
Aviva 5.125% 04/06/2050**	£250,000	203,222	0.05
Hongkong & Shanghai Banking 2.95679% Perpetual**	\$1,000,000	657,529	0.17
M&G 5.625% 20/10/2051**	£2,000,000	1,602,480	0.41
NatWest Group 2.057% 09/11/2028**	£2,000,000	1,536,700	0.39
NatWest Group 3.619% 29/03/2029**	£3,000,000	2,444,925	0.62
United Utilities Water Finance 0.875% 28/10/2029	£1,800,000	1,279,584	0.33
Volkswagen Financial Services 0.875% 20/02/2025	£2,000,000	1,729,620	0.44
Volkswagen Financial Services 4.25% 09/10/2025	£2,000,000	1,848,800	0.47
Volkswagen International Finance 3.375% 16/11/2026	£800,000	687,688	0.17
		<u>11,990,548</u>	<u>3.05</u>

\* Grouped by credit rating - source: Interactive Data and Bloomberg.

\*\* Denotes a variable interest security.

## Portfolio statement (continued)

as at 30 September 2022

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities* (continued)			
Baa1 to Baa2 9.14% (6.87%)			
BP Capital Markets 3.25% Perpetual**	€5,000,000	3,899,737	0.99
Citigroup 5.875% 01/07/2024	£1,655,000	1,622,934	0.41
CK Hutchison Group Telecom Finance 2% 17/10/2027	£2,000,000	1,558,860	0.40
Credit Suisse Group 2.25% 09/06/2028**	£3,000,000	2,279,880	0.58
Credit Suisse Group 7% 30/09/2027**	£2,000,000	1,892,500	0.48
GSK Consumer Healthcare Capital 2.875% 29/10/2028	£2,500,000	2,070,315	0.53
Investec 2.625% 04/01/2032**	£3,000,000	2,222,340	0.57
KBC Group 5.5% 20/09/2028**	£3,000,000	2,784,780	0.71
Legal & General Group 5.625% Perpetual**	£4,500,000	3,238,110	0.82
NatWest Group 2.105% 28/11/2031**	£6,000,000	4,667,400	1.19
Nordea Bank 1.625% 09/12/2032**	£3,000,000	2,216,250	0.56
RI Finance Bonds No 3 6.125% 13/11/2028	£650,000	570,108	0.14
Southern Gas Networks 1.25% 02/12/2031	£2,000,000	1,306,680	0.33
Virgin Money UK 2.625% 19/08/2031**	£1,500,000	1,162,245	0.30
Virgin Money UK 4% 25/09/2026**	£5,000,000	4,444,400	1.13
		<u>35,936,539</u>	<u>9.14</u>
Baa3 and below 22.93% (20.03%)			
Anglian Water Osprey Financing 2% 31/07/2028	£2,300,000	1,655,517	0.42
Beazley Insurance 5.5% 10/09/2029	\$3,000,000	2,485,085	0.63
Berkeley Group 2.5% 11/08/2031	£4,000,000	2,439,400	0.62
Blackstone Private Credit Fund 4.875% 14/04/2026	£2,500,000	2,122,728	0.54
Bunzl Finance 1.5% 30/10/2030	£2,500,000	1,725,800	0.44
Derwent London 1.875% 17/11/2031	£4,750,000	3,195,040	0.81
Grainger 3% 03/07/2030	£2,300,000	1,630,953	0.41
Heathrow Funding 2.625% 16/03/2028	£3,000,000	2,271,930	0.58
Heathrow Funding 2.75% 13/10/2029	£2,000,000	1,521,520	0.39
Heathrow Funding 3.334% 09/12/2039**	£2,260,000	4,022,635	1.02
Hiscox 6% 22/09/2027	£2,000,000	1,875,960	0.48
InterContinental Hotels Group 3.75% 14/08/2025	£2,925,000	2,657,734	0.68
John Lewis 6.125% 21/01/2025	£3,772,000	3,551,866	0.90
Marks & Spencer 3.75% 19/05/2026	£3,000,000	2,414,160	0.61
MPT Operating Partnership 2.5% 24/03/2026	£4,000,000	3,187,480	0.81
Nationwide Building Society 2.4249% 24/02/2031**	£13,000,000	12,695,020	3.23
NGG Finance 5.625% 18/06/2073**	£1,400,000	1,237,250	0.31
Orsted 2.5% 18/02/2021**	£2,800,000	1,712,284	0.44
Pension Insurance 3.625% 21/10/2032	£2,000,000	1,301,040	0.33
Pension Insurance 5.625% 20/09/2030	£2,000,000	1,606,760	0.41
Rolls-Royce 5.75% 15/10/2027	£1,500,000	1,287,585	0.33
Rothesay Life 5% Perpetual**	£8,000,000	5,074,080	1.29
Rothesay Life 5.5% 17/09/2029**	£2,000,000	1,883,180	0.48
Rothesay Life 6.875% Perpetual**	£2,000,000	1,609,580	0.41

\* Grouped by credit rating - source: Interactive Data and Bloomberg.

\*\* Denotes a variable interest security.

## Portfolio statement (continued)

as at 30 September 2022

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities* (continued)			
Baa3 and below (continued)			
Rothesay Life 8% 30/10/2025	£1,285,000	1,268,398	0.32
Shaftesbury Chinatown 2.348% 30/09/2027	£3,000,000	2,505,090	0.64
Society of Lloyd's 4.875% 07/02/2047**	£3,278,000	2,823,767	0.72
SSE 3.74% Perpetual**	£3,050,000	2,602,992	0.66
Tesco Corporate Treasury Services 1.875% 02/11/2028	£3,000,000	2,238,870	0.57
Tesco Corporate Treasury Services 2.5% 02/05/2025	£3,000,000	2,678,970	0.68
Tesco 1.982% 24/03/2036**	£550,000	884,175	0.22
Travis Perkins 3.75% 17/02/2026	£2,000,000	1,711,080	0.44
Vodafone Group 4.875% 03/10/2078**	£5,000,000	4,275,000	1.09
Wales & West Utilities Finance 2.496% 22/08/2035**	£200,000	323,718	0.08
Whitbread Group 2.375% 31/05/2027	£1,500,000	1,190,235	0.30
Workspace Group 2.25% 11/03/2028	£3,500,000	2,509,185	0.64
		<u>90,176,067</u>	<u>22.93</u>
Total debt securities		<u>270,039,755</u>	<u>68.69</u>
Convertible Bonds 4.85% (4.69%)			
Amadeus IT Group 1.5% 09/04/2025	€2,000,000	1,919,333	0.49
Capital & Counties Properties 2% 30/03/2026	£5,600,000	4,549,272	1.16
Cellnex Telecom 0.75% 20/11/2031	€2,000,000	1,148,697	0.29
Delivery Hero 2.125% 10/03/2029	€3,000,000	1,606,705	0.41
Derwent London Capital No 3 Jersey 1.5% 12/06/2025	£6,500,000	5,683,080	1.45
ELM BV for Swiss Re 3.25% 13/06/2024	\$3,000,000	2,628,326	0.67
Nexi SpA 1.75% 24/04/2027	€500,000	361,299	0.09
Trainline 1% 14/01/2026	£1,400,000	1,156,358	0.29
Total convertible bonds		<u>19,053,070</u>	<u>4.85</u>
Equities 8.18% (6.85%)			
Equities - United Kingdom 7.25% (6.56%)			
Consumer Discretionary 0.00% (0.61%)			
Consumer Staples 1.48% (1.06%)			
Diageo	75,000	2,847,750	0.72
Unilever	75,000	2,976,750	0.76
		<u>5,824,500</u>	<u>1.48</u>
Health Care 0.63% (0.95%)			
AstraZeneca	25,000	2,485,000	0.63

\* Grouped by credit rating - source: Interactive Data and Bloomberg.

\*\* Denotes a variable interest security.

## Portfolio statement (continued)

as at 30 September 2022

Investment	Nominal value or holding	Market value £	% of total net assets
Equities (continued)			
Equities - United Kingdom (continued)			
Financials 2.89% (1.75%)			
Aviva	500,000	1,941,000	0.49
Barclays	1,800,000	2,597,400	0.66
Lloyds Banking Group	3,000,000	1,241,700	0.32
London Stock Exchange Group	22,500	1,716,300	0.44
Schroders PLC	264,705	1,030,497	0.26
Standard Chartered	500,000	2,833,000	0.72
		<u>11,359,897</u>	<u>2.89</u>
Information Technology 0.31% (0.00%)			
Halma	60,000	1,227,000	0.31
Real Estate 1.94% (2.19%)			
Capital & Counties Properties	1,100,000	1,169,300	0.30
Grainger	153,365	351,513	0.09
Land Securities Group	831,221	4,335,649	1.10
Shafftesbury	484,643	1,778,640	0.45
		<u>7,635,102</u>	<u>1.94</u>
Total equities - United Kingdom		<u>28,531,499</u>	<u>7.25</u>
Equities - Bermuda 0.00% (0.00%)			
Brookfield Infrastructure Partners	4	128	0.00
Equities - Rest of the World 0.00% (0.00%)			
Prime Infrastructure <sup>^</sup>	10	-	-
Equities - Sweden 0.74% (0.29%)			
Investor	185,000	2,447,323	0.62
VNV Global AB	250,000	458,906	0.12
Total Sweden		<u>2,906,229</u>	<u>0.74</u>
Equities - United States 0.19% (0.00%)			
Freeport-McMoRan	30,000	735,017	0.19
Total equities		<u>32,172,873</u>	<u>8.18</u>

<sup>^</sup> Prime Infrastructure: shares are included in the portfolio of investments with no value as the security is not tradable.

## Portfolio statement (continued)

as at 30 September 2022

Investment	Nominal value or holding	Market value £	% of total net assets
Closed-Ended Funds 8.16% (9.33%)			
Closed-Ended Funds - incorporated in the United Kingdom 4.97% (3.87%)			
Aberforth Split Level Income Trust	3,300,000	3,795,000	0.97
Gresham House Energy Storage Fund	3,150,000	5,307,750	1.35
Harmony Energy Income Trust	3,950,000	4,266,000	1.08
SDCL Energy Efficiency Income Trust	6,025,000	6,073,200	1.54
Triple Point Energy Efficiency Infrastructure Company	155,000	115,475	0.03
Total closed-ended funds - incorporated in the United Kingdom		<u>19,557,425</u>	<u>4.97</u>
Closed-Ended Funds - incorporated outwith the United Kingdom 2.05% (4.18%)			
Duet Real Estate Finance <sup>^^</sup>	350,000	-	-
GCP Infrastructure Investments	3,500,000	3,402,000	0.87
NB Private Equity Partners			
Zero Dividend Preference Share 4.25% 30/10/2024	3,949,000	4,659,820	1.18
Total closed-ended funds - incorporated outwith the United Kingdom		<u>8,061,820</u>	<u>2.05</u>
Overseas Closed-Ended Funds 1.14% (1.28%)			
BBGI Global Infrastructure	2,825,000	4,463,500	1.14
Total closed-ended funds		<u>32,082,745</u>	<u>8.16</u>
Preference Shares 0.00% (0.29%)			
Collective Investment Schemes 6.05% (5.16%)			
UK Authorised Collective Investment Schemes 5.09% (4.70%)			
IFSL Church House Esk Global Equity Fund #	1,900,000	7,012,900	1.78
IFSL Church House Investment Grade Fixed Interest Fund #	6,300,000	6,331,500	1.61
IFSL Church House UK Equity Growth Z Inc #	1,900,000	3,264,200	0.83
IFSL Church House UK Equity Growth Z Acc #	403,339	874,036	0.22
IFSL Church House UK Smaller Companies Fund #	2,050,000	2,542,000	0.65
Total UK authorised collective investment schemes		<u>20,024,636</u>	<u>5.09</u>
Offshore Collective Investment Schemes 0.96% (0.46%)			
Waverton Investment Funds			
- Waverton European Capital Growth Fund	1,300,000	1,643,200	0.41
WisdomTree Gilts 10 Year 3x Daily Short	30,000	2,170,200	0.55
Total offshore collective investment schemes		<u>3,813,400</u>	<u>0.96</u>
Total collective investment schemes		<u>23,838,036</u>	<u>6.05</u>

<sup>^^</sup> Duet Real Estate Finance: The fair value pricing committee determined that it is appropriate to include the security in the portfolio of investments with no value as the security is in liquidation, with little prospect of a distribution to shareholders.

# Related party securities managed within the same corporate body as the former and current ACD.

## Portfolio statement (continued)

as at 30 September 2022

Investment	Nominal value or holding	Market value £	% of total net assets
Structured Products 2.45% (2.24%)			
Goldman Sachs 5Y GBP Capped Floored Floater Note 07/06/2023*	5,000,000	4,890,755	1.24
JP Morgan Structured Products BV 1.2% 18/02/2026	5,000,000	4,797,475	1.21
Total structured products		<u>9,688,230</u>	<u>2.45</u>
Portfolio of investments		386,874,709	98.38
Other net assets		6,372,215	1.62
Total net assets		<u>393,246,924</u>	<u>100.00</u>

All investments are listed on recognised stock exchanges or are approved securities or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated.

The comparative figures in brackets are as at 30 September 2021.

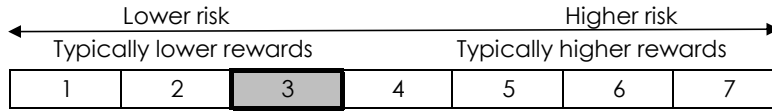
United Kingdom equities are grouped in accordance with Global Industry Classification Standard ('GICS').

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\* Denotes a variable interest security.

Risk and reward profile (all share classes)

This indicator aims to give you a measure of the price movement of the sub-fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.



Past data may not be a reliable indication of the future risk profile of the sub-fund. The risk category may change in the future and is not guaranteed. The lowest category does not mean risk free. The value of investments and the income from them may fall as well as rise and you may not get back the amount you originally invested.

This sub-fund has been measured as 3 because its investments have experienced low to moderate volatility in the past. The sub-fund's volatility is affected by various risks, including:

- The sub-fund will be exposed to stock markets and market conditions can change rapidly. Prices can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- The sub-fund has exposure to bonds, the prices of which will be impacted by factors including; changes in interest rates, inflation expectations and perceived credit quality.
- When interest rates rise, bond values generally fall. This risk is generally greater for longer term bonds and for bonds with perceived lower credit quality.
- The sub-fund invests in other currencies. Changes in exchange rates will therefore affect the value of your investment.

Risks which are not adequately captured by the risk indicator include:

- In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner.
- In extreme market conditions redemptions in the underlying funds or the sub-fund itself may be deferred or suspended.
- The sub-fund's cash may be deposited with various financial institutions. The sub-fund may suffer a loss if these institutions fail to make its payments or become insolvent.

A more detailed description of the risks that apply to this sub-fund can be found in the Company's prospectus.

There have been no changes to the risk and reward indicator in the year.

## Comparative table

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

	A Income			A Accumulation		
	2022	2021	2020	2022	2021	2020
	p	p	p	p	p	p
Change in net assets per share						
Opening net asset value per share	157.52	151.21	150.51	164.23	156.75	155.30
Return before operating charges	(14.57)	9.39	3.59	(15.22)	9.74	3.74
Operating charges	(2.09)	(2.16)	(2.20)	(2.20)	(2.26)	(2.29)
Return after operating charges *	(16.66)	7.23	1.39	(17.42)	7.48	1.45
Distributions <sup>^</sup>	(1.40)	(0.92)	(0.69)	(1.46)	(0.95)	(0.70)
Retained distributions on accumulation shares <sup>^</sup>	-	-	-	1.46	0.95	0.70
Closing net asset value per share	139.46	157.52	151.21	146.81	164.23	156.75
* after direct transaction costs of:	0.03	0.04	0.06	0.03	0.04	0.06
Performance						
Return after charges	(10.58%)	4.78%	0.92%	(10.61%)	4.77%	0.93%
Other information						
Closing net asset value (£)	13,753,251	14,782,858	11,515,274	17,650,604	22,517,843	21,112,160
Closing number of shares	9,862,081	9,384,976	7,615,208	12,022,481	13,711,360	13,469,076
Operating charges <sup>^^</sup>	1.36%	1.39%	1.47%	1.36%	1.39%	1.47%
Direct transaction costs	0.02%	0.03%	0.04%	0.02%	0.03%	0.04%
Published prices						
Highest share price (p)	158.8	159.7	153.0	165.5	166.0	157.8
Lowest share price (p)	140.4	151.7	142.4	146.8	157.2	146.9

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

<sup>^</sup> Rounded to 2 decimal places.

<sup>^^</sup> The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the ACD'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. It is indicative of the charges which may occur in a year as it is calculated on historical data.

Previously, the OCF included expenses incurred by underlying holdings of collective investment schemes in relation to the sub-fund (the synthetic 'OCF'). Following guidance issued by the Investment Association on 2 July 2020, the synthetic OCF calculation has been expanded to include closed ended vehicles such as investment trusts.



## Comparative table (continued)

	B Income			B Accumulation		
	2022	2021	2020	2022	2021	2020
	p	p	p	p	p	p
Change in net assets per share						
Opening net asset value per share	160.71	154.28	153.57	171.46	163.18	161.21
Return before operating charges	(15.00)	9.46	3.56	(16.05)	10.02	3.76
Operating charges	(1.56)	(1.64)	(1.72)	(1.68)	(1.74)	(1.79)
Return after operating charges*	(16.56)	7.82	1.84	(17.73)	8.28	1.97
Distributions <sup>^</sup>	(1.89)	(1.39)	(1.13)	(2.01)	(1.47)	(1.20)
Retained distributions on accumulation shares <sup>^</sup>	-	-	-	2.01	1.47	1.20
Closing net asset value per share	142.26	160.71	154.28	153.73	171.46	163.18
* after direct transaction costs of:	0.03	0.04	0.06	0.03	0.04	0.06
Performance						
Return after charges	(10.30%)	5.07%	1.20%	(10.34%)	5.07%	1.22%
Other information						
Closing net asset value (£)	20,034,954	20,884,817	20,696,960	28,821,290	34,696,480	32,760,721
Closing number of shares	14,082,918	12,995,082	13,414,950	18,748,205	20,235,493	20,076,108
Operating charges <sup>^^</sup>	1.00%	1.03%	1.11%	1.00%	1.03%	1.11%
Direct transaction costs	0.02%	0.03%	0.04%	0.02%	0.03%	0.04%
Published prices						
Highest share price (p)	162.1	163.1	156.2	172.9	173.3	164.3
Lowest share price (p)	143.5	154.8	145.5	153.7	163.7	152.7

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

<sup>^</sup> Rounded to 2 decimal places.

<sup>^^</sup> The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the ACD'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. It is indicative of the charges which may occur in a year as it is calculated on historical data.

Previously, the OCF included expenses incurred by underlying holdings of collective investment schemes in relation to the sub-fund (the synthetic 'OCF'). Following guidance issued by the Investment Association on 2 July 2020, the synthetic OCF calculation has been expanded to include closed ended vehicles such as investment trusts.

## Comparative table (continued)

	C Income			C Accumulation		
	2022	2021	2020	2022	2021	2020
	p	p	p	p	p	p
Change in net assets per share						
Opening net asset value per share	160.71	154.28	153.57	172.78	164.29	162.14
Return before operating charges	(15.04)	9.43	3.52	(16.22)	10.05	3.74
Operating charges	(1.38)	(1.45)	(1.51)	(1.51)	(1.56)	(1.59)
Return after operating charges *	(16.42)	7.98	2.01	(17.73)	8.49	2.15
Distributions <sup>^</sup>	(2.03)	(1.55)	(1.30)	(2.18)	(1.64)	(1.37)
Retained distributions on accumulation shares <sup>^</sup>	-	-	-	2.18	1.64	1.37
Closing net asset value per share	142.26	160.71	154.28	155.05	172.78	164.29
* after direct transaction costs of:	0.03	0.04	0.06	0.03	0.04	0.07
Performance						
Return after charges	(10.22%)	5.17%	1.31%	(10.26%)	5.17%	1.33%
Other information						
Closing net asset value (£)	62,490,235	70,036,832	50,865,901	250,496,590	341,355,803	359,935,954
Closing number of shares	43,927,099	43,579,342	32,970,253	161,557,478	197,562,843	219,080,168
Operating charges <sup>^^</sup>	0.88%	0.91%	0.99%	0.88%	0.91%	0.99%
Direct transaction costs	0.02%	0.03%	0.04%	0.02%	0.03%	0.04%
Published prices						
Highest share price (p)	162.1	163.2	156.3	174.2	174.6	165.4
Lowest share price (p)	143.6	154.8	145.6	155.1	164.8	153.7

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

<sup>^</sup> Rounded to 2 decimal places.

<sup>^^</sup> The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the ACD'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. It is indicative of the charges which may occur in a year as it is calculated on historical data.

Previously, the OCF included expenses incurred by underlying holdings of collective investment schemes in relation to the sub-fund (the synthetic 'OCF'). Following guidance issued by the Investment Association on 2 July 2020, the synthetic OCF calculation has been expanded to include closed ended vehicles such as investment trusts.

## Financial statements - IFSL Church House Tenax Absolute Return Strategies Fund

## Statement of total return

for the year ended 30 September 2022

	Notes	2022		2021	
		£	£	£	£
Income:					
Net capital (losses) / gains	2		(54,241,670)		20,769,721
Revenue	3	10,847,920		9,269,031	
Expenses	4	<u>(3,921,007)</u>		<u>(4,065,770)</u>	
Net revenue before taxation		6,926,913		5,203,261	
Taxation	5	<u>(1,020,238)</u>		<u>(604,604)</u>	
Net revenue after taxation			<u>5,906,675</u>		<u>4,598,657</u>
Total return before distributions			(48,334,995)		25,368,378
Distributions	6		(5,906,895)		(4,597,843)
Change in net assets attributable to shareholders from investment activities			<u>(54,241,890)</u>		<u>20,770,535</u>

## Statement of change in net assets attributable to shareholders

for the year ended 30 September 2022

		2022		2021	
		£	£	£	£
Opening net assets attributable to shareholders			504,274,633		496,886,970
Amounts receivable on issue of shares		53,103,551		101,369,680	
Amounts payable on cancellation of shares		<u>(114,225,064)</u>		<u>(118,424,771)</u>	
			(61,121,513)		(17,055,091)
Change in net assets attributable to shareholders from investment activities			(54,241,890)		20,770,535
Retained distributions on accumulation shares			4,335,694		3,672,219
Closing net assets attributable to shareholders			<u>393,246,924</u>		<u>504,274,633</u>

Balance sheet  
as at 30 September 2022

	Notes	2022 £	2021 £
Assets:			
Fixed assets:			
Investments		386,874,709	483,426,645
Current assets:			
Debtors	7	3,448,599	16,062,195
Cash and bank balances	8	5,266,014	11,036,850
Total assets		<u>395,589,322</u>	<u>510,525,690</u>
Liabilities:			
Creditors:			
Bank overdrafts	8	(127)	-
Distribution payable on income shares		(835,899)	(496,388)
Other creditors	9	(1,506,372)	(5,754,669)
Total liabilities		<u>(2,342,398)</u>	<u>(6,251,057)</u>
Net assets attributable to shareholders		<u><u>393,246,924</u></u>	<u><u>504,274,633</u></u>

## Notes to the financial statements

for the year ended 30 September 2022

## 1. Accounting policies

The accounting policies are disclosed on pages 9 to 11.

2. Net capital (losses) / gains	2022	2021
	£	£
Non-derivative securities - realised gains	2,307,862	10,473,789
Non-derivative securities - movement in unrealised (losses) / gains	(56,381,980)	10,453,822
Derivative contracts - realised gains	312,000	-
Derivative contracts - movement in unrealised (losses) / gains	(962,931)	8,391
Currency gains / (losses)	495,934	(155,078)
Compensation	323	-
Transaction charges	(12,878)	(11,203)
Total net capital (losses) / gains	<u>(54,241,670)</u>	<u>20,769,721</u>
3. Revenue	2022	2021
	£	£
UK revenue	1,257,665	1,272,453
Unfranked revenue	670,336	902,795
Overseas revenue	595,394	922,834
Interest on debt securities	8,322,058	6,170,243
Bank and deposit interest	2,467	706
Total revenue	<u>10,847,920</u>	<u>9,269,031</u>
4. Expenses	2022	2021
	£	£
Payable to the ACD and associates		
Annual management charge*	3,686,771	3,836,467
Registration fees	2,816	2,853
	<u>3,689,587</u>	<u>3,839,320</u>
Payable to the Depositary		
Depositary fees	108,257	127,808
Other expenses:		
Audit fee	7,406	6,452
Non-executive directors' fees	935	1,069
Safe custody fees	33,036	32,795
Bank interest	16,920	14,781
FCA fee	5,452	5,814
KIID production fee	1,928	1,713
Platform charges	55,926	34,458
Publication fee	1,560	1,560
	<u>123,163</u>	<u>98,642</u>
Total expenses	<u>3,921,007</u>	<u>4,065,770</u>

\* The annual management charge includes the ACD's periodic charge and the Investment Manager's fee. The Investment Manager's fee excludes any holdings within the portfolio of investments that are managed by the Investment ACD, Church House Investments Limited. For the year ended 30 September 2022, the annual management charge for each share class is as follows:

A Income	1.19%	B Income	0.83%	C Income	0.71%
A Accumulation	1.19%	B Accumulation	0.83%	C Accumulation	0.71%

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 5. Taxation

	2022	2021
	£	£
<i>a. Analysis of the tax charge for the year</i>		
UK corporation tax	1,014,771	601,595
Overseas tax withheld	<u>5,467</u>	<u>3,009</u>
Total taxation (note 5b)	<u><u>1,020,238</u></u>	<u><u>604,604</u></u>

*b. Factors affecting the tax charge for the year*

The tax assessed for the year is lower (2021: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2021: 20%). The differences are explained below:

	2022	2021
	£	£
Net revenue before taxation	<u>6,926,913</u>	<u>5,203,261</u>
Corporation tax @ 20%	1,385,383	1,040,652
Effects of:		
UK revenue	(251,533)	(254,491)
Overseas revenue	(119,079)	(184,566)
Overseas tax withheld	<u>5,467</u>	<u>3,009</u>
Total taxation (note 5a)	<u><u>1,020,238</u></u>	<u><u>604,604</u></u>

## 6. Distributions

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

	2022	2021
	£	£
Interim income distribution	486,432	401,793
Interim accumulation distribution	1,723,006	1,746,563
Final income distribution	835,899	496,388
Final accumulation distribution	<u>2,612,688</u>	<u>1,925,656</u>
	5,658,025	4,570,400
Equalisation:		
Amounts deducted on cancellation of shares	374,781	275,495
Amounts added on issue of shares	(125,831)	(247,399)
Net equalisation on conversions	<u>(80)</u>	<u>(653)</u>
Total net distributions	<u><u>5,906,895</u></u>	<u><u>4,597,843</u></u>

Reconciliation between net revenue and distributions:

Net revenue after taxation per Statement of total return	5,906,675	4,598,657
Undistributed revenue brought forward	1,751	937
Undistributed revenue carried forward	<u>(1,531)</u>	<u>(1,751)</u>
Distributions	<u><u>5,906,895</u></u>	<u><u>4,597,843</u></u>

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

## Notes to the financial statements (continued)

for the year ended 30 September 2022

7. Debtors	2022	2021
	£	£
Amounts receivable on issue of shares	378,455	11,127,489
Sales awaiting settlement	-	2,328,931
Currency trades outstanding	-	700
Accrued revenue	3,035,107	2,590,268
Recoverable overseas withholding tax	32,436	14,379
Prepaid expenses	2,601	428
Total debtors	<u>3,448,599</u>	<u>16,062,195</u>
8. Cash and bank balances	2022	2021
	£	£
Cash and bank balances	<u>5,266,014</u>	<u>11,036,850</u>
Bank overdraft	<u>(127)</u>	<u>-</u>
Total cash and bank balances	<u>5,265,887</u>	<u>11,036,850</u>
9. Other creditors	2022	2021
	£	£
Amounts payable on cancellation of shares	604,278	67,292
Purchases awaiting settlement	-	5,366,466
Currency trades outstanding	604,278	5,433,758
Accrued expenses:		
Payable to the ACD and associates		
Annual management charge	<u>263,241</u>	<u>-</u>
Other expenses:		
Safe custody fees	4,984	5,441
Audit fee	7,406	6,452
Non-executive directors' fees	1,324	390
FCA fee	-	2,911
Publication fee	1,170	1,170
Platform charges	14,125	8,681
Transaction charges	297	273
	<u>29,306</u>	<u>25,318</u>
Total accrued expenses	<u>292,547</u>	<u>25,318</u>
Corporation tax payable	<u>609,547</u>	<u>295,593</u>
Total other creditors	<u>2,110,650</u>	<u>16,622,185</u>

## 10. Commitments and contingent liabilities

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

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 11. Share classes

The following reflects the change in shares in issue in the year:

	A Income
Opening shares in issue	9,384,976
Total shares issued in the year	1,253,351
Total shares cancelled in the year	(822,845)
Total shares converted in the year	46,599
Closing shares in issue	<u>9,862,081</u>
	A Accumulation
Opening shares in issue	13,711,360
Total shares issued in the year	318,762
Total shares cancelled in the year	(1,949,438)
Total shares converted in the year	(58,203)
Closing shares in issue	<u>12,022,481</u>
	B Income
Opening shares in issue	12,995,082
Total shares issued in the year	2,163,732
Total shares cancelled in the year	(1,069,557)
Total shares converted in the year	(6,339)
Closing shares in issue	<u>14,082,918</u>
	B Accumulation
Opening shares in issue	20,235,493
Total shares issued in the year	2,607,960
Total shares cancelled in the year	(3,911,055)
Total shares converted in the year	(184,193)
Closing shares in issue	<u>18,748,205</u>
	C Income
Opening shares in issue	43,579,342
Total shares issued in the year	7,346,373
Total shares cancelled in the year	(7,079,409)
Total shares converted in the year	80,793
Closing shares in issue	<u>43,927,099</u>
	C Accumulation
Opening shares in issue	197,562,843
Total shares issued in the year	18,389,889
Total shares cancelled in the year	(54,521,697)
Total shares converted in the year	126,443
Closing shares in issue	<u>161,557,478</u>

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

On the winding up of a sub-fund all the assets of the sub-fund will be realised and apportioned to the share classes in relation to the net asset value on the closure date. Shareholders will receive their respective share of the proceeds, net of liabilities and the expenses incurred in the termination in accordance with the FCA regulations. Each share class has the same rights on winding up.



## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 12. Related party transactions

St Vincent St Fund Administration (a trading name of Evelyn Partners Fund Solutions Limited (previously Smith & Williamson Fund Administration Limited)), as former ACD was a related party due to its ability to act in respect of the operations of the sub-fund.

The ACD acts as principal in respect of all transactions of shares in the sub-fund. The aggregate monies received and paid through the creation and cancellation of shares are disclosed in the Statement of change in net assets attributable to shareholders of the sub-fund.

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

The following securities held in the portfolio of investments are related parties as they are managed within the same corporate body as the former and current ACD:

	2022	2021
	Holding	Holding
IFSL Church House Esk Global Equity Fund	1,900,000	2,000,000
IFSL Church House Investment Grade Fixed Interest Fund	6,300,000	6,300,000
IFSL Church House UK Equity Growth Fund Z Inc	1,900,000	1,735,000
IFSL Church House UK Equity Growth Fund Z Acc	403,339	403,339
IFSL Church House UK Smaller Companies Fund	2,050,000	1,919,000

## 13. Events after the balance sheet date

Subsequent to the year end, the net asset value per A Income share has increased from 139.5p to 148.6p, the A Accumulation share has increased from 146.8p to 156.4p, the net asset value per B Income share has increased from 142.3p to 151.7p, the B Accumulation share has increased from 153.7p to 164.0p, the net asset value per C Income share has increased from 142.3p to 151.8p and the C Accumulation share has increased from 155.1p to 165.5p at 24 January 2023. 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	
	£	£	%	£	%	£	%	£
2022								
Equities	24,358,973	11,403	0.05%	60,008	0.25%	2,821	0.01%	24,433,205
Bonds*	102,301,191	-	-	-	-	-	-	102,301,191
Collective Investment Schemes*	1,286,456	-	-	-	-	-	-	1,286,456
Total	<u>127,946,620</u>	<u>11,403</u>	<u>0.05%</u>	<u>60,008</u>	<u>0.25%</u>	<u>2,821</u>	<u>0.01%</u>	<u>128,020,852</u>

\* No direct transaction costs were incurred in these transactions.

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 14. Transaction costs (continued)

## a Direct transaction costs (continued)

	Purchases before transaction costs		Commission		Taxes		Financial transaction tax		Purchases after transaction costs
	£	£	%	£	%	£	%	£	
2021									
Equities	27,900,946	13,612	0.05%	71,777	0.26%	6,670	0.02%	27,993,005	
Bonds*	148,062,290	-	-	-	-	-	-	148,062,290	
Collective Investment Schemes*	2,640,161	-	-	-	-	-	-	2,640,161	
Total	178,603,397	13,612	0.05%	71,777	0.26%	6,670	0.02%	178,695,456	

Capital events amount of £147,544 (2021: £1,244,634) is excluded from the total purchases as there were no direct transaction costs charged in these transactions.

	Sales before transaction costs		Commission		Taxes		Financial transaction tax		Sales after transaction costs
	£	£	%	£	%	£	%	£	
2022									
Equities	32,375,692	(23,117)	0.07%	(56)	0.00%	-	-	32,352,519	
Bonds*	131,790,984	-	-	-	-	-	-	131,790,984	
Collective Investment Schemes*	529,972	-	-	-	-	-	-	529,972	
Structured Products*	962,000	-	-	-	-	-	-	962,000	
Total	165,658,648	(23,117)	0.07%	(56)	0.00%	-	-	165,635,475	

	Sales before transaction costs		Commission		Taxes		Financial transaction tax		Sales after transaction costs
	£	£	%	£	%	£	%	£	
2021									
Equities	44,335,435	(35,056)	0.08%	(122)	0.00%	-	-	44,300,257	
Bonds*	153,467,535	-	-	-	-	-	-	153,467,535	
Collective Investment Schemes*	798,200	-	-	-	-	-	-	798,200	
Total	198,601,170	(35,056)	0.08%	(122)	0.00%	-	-	198,565,992	

Capital events amount of £4,755,045 (2021: £nil) is excluded from the total sales as there were no direct transaction costs charged in these transactions.

\* No direct transaction costs were incurred in these transactions.

## Notes to the financial statements (continued)

for the year ended 30 September 2022

### 14. Transaction costs (continued)

#### a Direct transaction costs (continued)

Summary of direct transaction costs

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

2022	£	% of average net asset value
Commission	34,520	0.01%
Taxes	60,064	0.01%
Financial transaction tax	2,821	0.00%

2021	£	% of average net asset value
Commission	48,668	0.01%
Taxes	71,899	0.02%
Financial transaction tax	6,670	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 0.50% (2021: 0.43%).

### 15. Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Prospectus, the following are accepted by the ACD as being the main risks from the sub-fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the ACD'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 ACD, 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 sub-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 sub-fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The main elements of the portfolio of investments exposed to this risk are equities, collective investment schemes and closed-ended funds.

This risk is generally regarded as consisting of two elements: stock specific risk and market risk. Through these two factors, the sub-fund is exposed to price fluctuations, which are monitored by the ACD 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 sub-fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 15. Risk management policies (continued)

## a Market risk (continued)

## (i) Other price risk (continued)

At 30 September 2022, if the price of the investments held by the sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders of the sub-fund would increase or decrease by approximately £4,404,683 (2021: £5,453,384).

## (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. Investments in UK securities investing in overseas securities will give rise to indirect exposure to currency risk. 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 foreign currency risk profile of the sub-fund's financial instruments and cash holdings at the balance sheet date is as follows:

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2022			
Danish krone	-	1,700	1,700
Euro	8,935,644	97,942	9,033,586
Swedish krona	2,925,641	2,132	2,927,773
US dollar	7,036,691	56,791	7,093,482
Total foreign currency exposure	18,897,976	158,565	19,056,541

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2021			
Danish krone	-	1,665	1,665
Euro	11,432,225	76,850	11,509,075
Swedish krona	1,468,767	(1,468,468)	299
US dollar	14,750,260	83,570	14,833,830
Total foreign currency exposure	27,651,252	(1,306,383)	26,344,869

At 30 September 2022, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the net assets attributable to shareholders of the sub-fund would increase or decrease by approximately £952,827 (2021: £1,317,243).

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 15. Risk management policies (continued)

## a Market risk (continued)

## (iii) Interest rate risk

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

During the year the sub-fund's direct exposure to interest rates consisted of cash and bank balances and interest bearing securities. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

The value of interest bearing securities may be affected by changes in the interest rate environment, either globally or locally.

At 30 September 2022, if interest rates increased or decreased by 25 basis points, with all other variables remaining constant, then the net assets attributable to shareholders of the sub-fund would increase or decrease by approximately £2,788,535 (2021: £3,842,323).

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

The interest rate risk profile of financial assets and liabilities at the balance sheet date is as follows:

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial assets	Non-interest bearing financial assets	Non-interest bearing financial liabilities	Total
2022	£	£	£	£	£	£
Danish krone	-	-	-	1,700	-	1,700
Euro	3,899,737	(127)	5,036,034	97,942	-	9,033,586
Swedish krona	19,412	-	-	2,908,361	-	2,927,773
UK sterling	204,072,510	-	84,717,830	87,742,314	(2,342,271)	374,190,383
US dollar	1,188,135	-	5,113,411	791,936	-	7,093,482
	<u>209,179,794</u>	<u>(127)</u>	<u>94,867,275</u>	<u>91,542,253</u>	<u>(2,342,271)</u>	<u>393,246,924</u>

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial assets	Non-interest bearing financial assets	Non-interest bearing financial liabilities	Total
2021	£	£	£	£	£	£
Danish krone	-	-	-	1,665	-	1,665
Euro	5,459,260	-	5,972,965	76,850	-	11,509,075
Swedish krona	-	-	-	1,469,467	(1,469,168)	299
UK sterling	253,242,476	-	105,010,763	124,458,414	(4,781,889)	477,929,764
US dollar	4,515,587	-	7,276,622	3,041,621	-	14,833,830
	<u>263,217,323</u>	<u>-</u>	<u>118,260,350</u>	<u>129,048,017</u>	<u>(6,251,057)</u>	<u>504,274,633</u>

## Notes to the financial statements (continued)

for the year ended 30 September 2022

### 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 and issuer risk.

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

In addition to the interest rate risk, bond investments are exposed to issuer risk which reflects the ability for the bond issuer to meet its obligations to pay interest and return the capital on the redemption date. Change in issuer risk will change the value of the investments and is dealt with further in note 15a. The majority of debt securities held within the portfolio are investment grade bonds. These are made across a variety of industry sectors, and geographical markets, so as to avoid concentrations of credit risk. A breakdown is provided in the Portfolio statement. The credit quality of the debt securities is disclosed in the Portfolio statement.

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

Holdings in collective investment schemes are subject to direct credit risk. The exposure to pooled investment vehicles is unrated.

#### c Liquidity risk

A significant risk is the cancellation of shares 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 shares 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 shares in the sub-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 sub-fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the sub-fund may not be able to immediately sell such securities.

To reduce liquidity risk the ACD will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the sub-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 sub-fund.

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the sub-fund to meet large redemptions, 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 ACD 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 sub-fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 15. Risk management policies (continued)

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

	Investment assets	Investment liabilities
Basis of valuation	2022	2022
	£	£
Quoted prices	68,069,018	-
Observable market data	309,117,461	-
Unobservable data*	9,688,230	-
	<u>386,874,709</u>	<u>-</u>
	Investment assets	Investment liabilities
Basis of valuation	2021	2021
	£	£
Quoted prices	85,362,828	-
Observable market data	386,756,705	-
Unobservable data*	11,307,112	-
	<u>483,426,645</u>	<u>-</u>

\* Structured product holdings in the Portfolio statement are valued using valuation models where the inputs are unobservable. The ACD engages a third party to provide valuations for these investments.

The following securities are valued in the portfolio of investments using valuation techniques:

*Prime Infrastructure* : shares are included in the portfolio of investments with no value as the security is not tradable (2021: nil).

*Duet Real Estate Finance* : The fair value pricing committee determined that it is appropriate to include the security in the portfolio of investments with no value as the security is in liquidation, with little prospect of a distribution to shareholders (2021: nil).

*Terra Catalyst Fund* : This is a delisted security in the prior year and is valued by the fair value pricing committee.

## Unobservable data

Unobservable data has been used only where relevant observable market data is not available. Where there was no reputable price source for an investment, the ACD has assessed information available from internal and external sources in order to arrive at an estimated fair value. The fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. The ACD also makes judgements and estimates based on their knowledge of recent investment performance, historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions used are under continuous review by the ACD with particular attention paid to the carrying value of the investments.

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 15. Risk management policies (continued)

## e Assets subject to special arrangements arising from their illiquid nature

The following assets held in the portfolio of investments are subject to special arrangements arising from their illiquid nature:

	2022	2021
	% of the total net asset value	% of the total net asset value
Prime Infrastructure	-	-
Duet Real Estate Finance	-	-
Terra Catalyst Fund	-	-
Total	<u>-</u>	<u>-</u>

## f Derivatives

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

The ACD monitors that any exposure is covered globally to ensure adequate cover is available to meet the sub-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.

In the year there was direct exposure to derivatives. On a daily basis, exposure is calculated in UK sterling using the commitment approach with netting applied where appropriate. The total global exposure figure is divided by the net asset value of the sub-fund to calculate the percentage global exposure. Global exposure is a risk mitigation technique that monitors the overall commitment to derivatives in the sub-fund at any given time and may not exceed 100% of the net asset value of the property of the sub-fund.

In the year the sub-fund had exposure to derivatives embedded in structured products and convertible bonds. On a daily basis, exposure is calculated in UK sterling using the commitment approach with netting applied where appropriate. The total global exposure figure is divided by the net asset value of the sub-fund to calculate the percentage global exposure. Global exposure is a risk mitigation technique that monitors the overall commitment to derivatives in a sub-fund at any given time and may not exceed 100% of the net asset value of the property of the sub-fund.

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.

In the year, the sub-fund held structured products with embedded derivatives. Exposure created by underlying derivatives is monitored by the ACD as well as the rating of the issuer of the structured product. A third party is used to verify the prices of the structured products.

## (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 sub-fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the sub-fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The sub-fund may transact in derivative contracts which potentially exposes the sub-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 an appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Depositary.

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



## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 15. Risk management policies (continued)

## f Derivatives (continued)

## (ii) Leverage

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

As at the balance sheet date, the leverage was 104.6%.

## (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 the global exposure is as follows:

	Gross exposure value £	% of the total net asset value
Investment		
Structured Products		
Goldman Sachs 5Y GBP Capped Floored Floater Note 07/06/2023	5,000,000	1.27%
JP Morgan Structured Products BV 1.2% 18/02/2026	5,000,000	1.27%
Convertible bonds		
Amadeus IT Group 1.5% 09/04/2025	915,272	0.23%
Capital & Counties Properties 2% 30/03/2026	2,141,981	0.54%
Cellnex Telecom 0.75% 20/11/2031	361,613	0.09%
Delivery Hero 2.125% 10/03/2029	1,594,839	0.41%
Derwent London Capital No 3 Jersey 1.5% 12/06/2025	1,905,289	0.48%
Nexi SpA 1.75% 24/04/2027	162,245	0.04%
ELM BV for Swiss Re 3.25% 13/06/2024	503,690	0.13%
Trainline 1% 14/01/2026	565,352	0.14%

There have been no collateral arrangements in the year.

## Distribution table

for the year ended 30 September 2022

Distributions on A Income shares in pence per share

Payment date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.425	-	0.425	0.430
31.05.22	group 2	interim	0.282	0.143	0.425	0.430
30.11.22	group 1	final	0.979	-	0.979	0.493
30.11.22	group 2	final	0.577	0.402	0.979	0.493

Distributions on A Accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.437	-	0.437	0.436
31.05.22	group 2	interim	0.238	0.199	0.437	0.436
30.11.22	group 1	final	1.021	-	1.021	0.509
30.11.22	group 2	final	0.724	0.297	1.021	0.509

## Equalisation

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

## Accumulation distributions

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

## Interim distributions:

Group 1 Shares purchased before 1 October 2021

Group 2 Shares purchased 1 October 2021 to 31 March 2022

## Final distributions:

Group 1 Shares purchased before 1 April 2022

Group 2 Shares purchased 1 April 2022 to 30 September 2022

Distribution table (continued)  
for the year ended 30 September 2022

Distributions on B Income shares in pence per share

Payment date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.665	-	0.665	0.653
31.05.22	group 2	interim	0.236	0.429	0.665	0.653
30.11.22	group 1	final	1.220	-	1.220	0.734
30.11.22	group 2	final	0.763	0.457	1.220	0.734

Distributions on B Accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.709	-	0.709	0.697
31.05.22	group 2	interim	0.466	0.243	0.709	0.697
30.11.22	group 1	final	1.303	-	1.303	0.775
30.11.22	group 2	final	0.890	0.413	1.303	0.775

Equalisation

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

Accumulation distributions

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

Interim distributions:

- Group 1 Shares purchased before 1 October 2021  
Group 2 Shares purchased 1 October 2021 to 31 March 2022

Final distributions:

- Group 1 Shares purchased before 1 April 2022  
Group 2 Shares purchased 1 April 2022 to 30 September 2022

Distribution table (continued)  
for the year ended 30 September 2022

Distributions on C Income shares in pence per share

Payment date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.741	-	0.741	0.731
31.05.22	group 2	interim	0.490	0.251	0.741	0.731
30.11.22	group 1	final	1.292	-	1.292	0.814
30.11.22	group 2	final	0.678	0.614	1.292	0.814

Distributions on C Accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.792	-	0.792	0.776
31.05.22	group 2	interim	0.456	0.336	0.792	0.776
30.11.22	group 1	final	1.390	-	1.390	0.860
30.11.22	group 2	final	0.786	0.604	1.390	0.860

Equalisation

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

Accumulation distributions

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

Interim distributions:

- Group 1 Shares purchased before 1 October 2021
- Group 2 Shares purchased 1 October 2021 to 31 March 2022

Final distributions:

- Group 1 Shares purchased before 1 April 2022
- Group 2 Shares purchased 1 April 2022 to 30 September 2022

## IFSL Church House UK Smaller Companies Fund

### Investment Manager's report

#### Investment objective and policy

The aim of the sub-fund is to provide capital growth over the long term (at least five years).

The sub-fund is actively managed and the Investment Manager does not track, and is not constrained by, any benchmark index.

At least 80% of the sub-fund's assets are invested in shares of UK smaller companies. UK companies are those incorporated or domiciled in the UK and smaller companies are defined by the Investment Manager as those with a market capitalisation of less than £2 billion at the time of purchase. The sub-fund may invest in any industry or sector.

Up to 20% of the sub-fund may be invested in other assets: the shares of companies with a market capitalisation of £2 billion or more, the shares of overseas companies (developed markets only), fixed interest securities, money market instruments and cash.

No more than 10% of the sub-fund's total assets may be invested in collective investments schemes.

#### Investment performance

Performance* over:	1 year	3 years	5 years
IFSL Church House UK Smaller Companies Fund A Accumulation	-31.1%	-14.3%	-19.0%

\* Source: Bloomberg and Evelyn Partners Fund Solutions Limited. Based on mid prices at 12pm on 30 September 2022.

Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this share class is calculated in sterling.

The comparative benchmarks produced the following performance<sup>^</sup> over the year from 1 October 2021 to 30 September 2022:

FTSE All-Share Index	-4.00%
FTSE Small Cap ex Investment Trusts Index	-24.37%

<sup>^</sup> Source: FE fundinfo

#### Investment activities

These comments refer to the latter six months of the sub-fund's year as we reported on the first six months in April.

The weakness in the equity markets continue to be most keenly felt in the Alternative Investment Market and Small Cap areas, which are now down 34% and 22% respectively over this year-to-date. We have been busy across the IFSL Church House UK Smaller Companies Fund, but it is suffering along with these markets.

We have been saying all year that we saw valuations as being attractive across our small cap universe and over the quarter to the end of June, two of our holdings were acquired at substantial premiums. Brewin Dolphin Holdings has been bought by Royal Bank of Canada for £1.6 billion, a 62% premium to the market price, representing 2.8% of the wealth manager's assets under management – a healthy offer that we gladly accepted and sold the entire position. Then, at the beginning of May, there was an offer for one of our top ten holdings, Ideagen, the software as a service business specialising in highly regulated sectors, from London-based private equity firm, Hg Pooled Management. Hg Pooled Management offered a significant premium to the pre-offer share price and Ideagen agreed to the £1.1 billion takeover (also reflecting our conviction that this is a strong business that deserved a high multiple). After the offer, we began to reduce our position, crystallising a handsome return since investment during 2020. We have been re-investing these cash 'windfalls' gradually into new and existing holdings. Adding to air filtration specialist, Porvair and cement super-creed producer Somero Enterprises.

## Investment Manager's report (continued)

### Investment activities (continued)

In Technology, we have added to video games businesses Keyword Studios and Frontier Developments. In more consumer facing stocks (the hardest hit of the sectors) we have added to Big Yellow Group, Greggs, Trainline and Young & Co's Brewery. The diversity of these sectors reflects how widespread the market sell-off has been and, conversely, how many opportunities we feel that there are. We will continue to build our investments in these quality businesses and are confident that this will prove to have been a fruitful time to be putting money to work in a volatile market.

Top 15 Holdings - 30 September 2022*	
Beazley	5.8%
Judges Scientific	5.6%
Keyword Studios	5.0%
Diploma	4.8%
Somero Enterprises	4.6%
Greggs	4.2%
Ergomed	4.1%
Young & Co's Brewery	3.8%
Trainline	3.7%
Porvair	3.5%
Big Yellow Group	3.4%
Softcat	3.3%
Close Brothers Group	3.0%
Cranswick	2.8%
Frontier Developments	2.8%

Heading into the final quarter of the sub-fund's year, the number one holding in the portfolio, Beazley, put in a strong performance. We added to this holding throughout 2020 and 2021, and, following their results in July, their shares have gone from strength to strength. We have been 'top-slicing' the holding as other opportunities present themselves. We have sold two other holdings completely: the big box (mega distribution centre) owner Tritax Eurobox and ICG Enterprise Trust. We see private equity as a prudent deployment of capital in the portfolio and we have been served well over the past few years by ICG Enterprise Trust. However, we decided to exit the sector in July concerned that underlying valuations might have been inflated over the past few years with the abundance of liquidity in the sector. We used proceeds to top up concrete screed specialists Somero Enterprises, self-storage business Big Yellow Group, merchant bank Close Brothers Group and specialist industrial TT Electronics.

We opened three new positions in businesses we have been following for the past few years. Pub operator Fuller Smith & Turner, Pets at Home Group, an out-of-favour bricks and mortar retailer, but interesting, and in UK wearable technology business, Big Technologies - more electronic on-remand tag than smart watch. Although it has been a tough quarter, and indeed year, for the portfolio, there is no denying that the innovation and quality in smaller UK businesses is there to be found.

### Investment strategy and outlook

An appalling quarter on so many fronts ended at just about the worst point possible for investors. It had started reasonably well with an improvement in equity and bond markets through July and early August. Putin's 'gas attack' on Europe in mid-August put paid to this, and energy prices leapt again, adding to concerns here as UK inflation for July breached the 10% mark.

Gilts don't often hit the headlines, but that all changed in the week following Kwasi Kwarteng's 'Fiscal Statement' on 23 September 2022. This was a shockingly inept display from the new government, how did they expect markets to react, particularly the gilt market, when they announce 'spend, spend, spend' with no indication of how this was to be paid for.

\* Source: Evelyn Partners Fund Solutions Limited.

## Investment Manager's report (continued)

### Investment strategy and outlook (continued)

The price of gilts duly collapsed and, despite some disappointing misinformation on the topic from the British Broadcasting Corporation, it was true to say that the gilt market had fallen into disarray and was not functioning properly. This was the moment when the Bank of England ('BoE'), correctly, stepped in to provide a backstop and some order was restored. The result is that available rates of interest for longer periods have reversed the falls of the past twelve years since the financial crisis of 2008/2009. The shock was that it happened so quickly, leaving holders of longer-dated gilts (and other fixed interest securities) nursing heavy capital losses.

Inflation is still the key to all this. Led by the US Federal Reserve, central banks, including the BoE, have been raising their base interest rates in an attempt to tackle it, and we expect to see more increases. Here, and in Europe, consumers and businesses are to be shielded from the prospect of massive jumps in fuel prices (though these are abating somewhat), which will provide significant relief. But central bank (and inept political) actions mean that a mild recession in the US looks likely now, while the European economy is already in recession as is, probably, ours.

The better side of the coin is that, for the first time in years, there are decent returns on offer in the gilt market. We consider that these markets, along with equity markets, have now 'priced-in' a lot of bad news (it has been relentless). We expect to see the value in IFSL Church House UK Smaller Companies Fund reflected in better markets over the course of the year ahead.

Church House Investments Limited

28 October 2022

## Summary of portfolio changes

for the year ended 30 September 2022

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

	Cost
	£
Purchases:	
Ergomed	360,234
Fevertree Drinks	307,497
Keywords Studios	304,100
Fuller Smith & Turner	292,411
Polar Capital Holdings	277,783
VNV Global AB	240,786
Big Technologies	176,925
Frontier Developments	168,970
Renalytix	165,009
Pets at Home Group	137,974
Big Yellow Group	119,745
Greggs	118,106
Young & Co's Brewery	117,367
Trustpilot Group	98,798
Close Brothers Group	66,052
Redrow	64,341
Somero Enterprises	58,779
Porvair	53,381
TT Electronics	38,211
Judges Scientific	37,438
	Proceeds
	£
Sales:	
Brewin Dolphin Holdings	667,649
Ideagen	373,308
ICG Enterprise Trust	286,824
IntegraFin Holdings	154,635
GB Group	139,357
Avon Rubber	131,900
Plexus Holdings	120,161
Beazley	95,729
Tritax EuroBox	85,939
Arix Bioscience	82,971
Bellway	75,044
A.G. Barr	52,476
TT Electronics	32,255



Portfolio statement  
as at 30 September 2022

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities 97.17% (94.67%)			
Equities - United Kingdom 89.86% (89.78%)			
Equities - incorporated in the United Kingdom 88.20% (86.44%)			
Energy 0.00% (1.15%)			
Industrials 18.06% (15.74%)			
Big Technologies	75,000	210,000	2.16
Diploma	20,000	464,000	4.77
Judges Scientific	7,500	547,500	5.62
Porvair	69,000	344,310	3.54
RWS Holdings	60,000	192,000	1.97
		<u>1,757,810</u>	<u>18.06</u>
Consumer Discretionary 19.01% (15.61%)			
Bellway	12,500	212,750	2.19
Fuller Smith & Turner	50,000	225,000	2.31
Greggs	24,000	410,880	4.22
Pets at Home Group	40,000	105,600	1.08
Redrow	40,000	159,680	1.64
Trainline	115,000	362,940	3.73
Young & Co's Brewery	40,000	374,000	3.84
		<u>1,850,850</u>	<u>19.01</u>
Consumer Staples 7.29% (6.56%)			
A.G. Barr	40,000	182,000	1.87
Cranswick	10,000	267,800	2.75
Fevertree Drinks	31,000	259,470	2.67
		<u>709,270</u>	<u>7.29</u>
Health Care 9.04% (4.23%)			
Bioventix	7,000	231,000	2.37
Craneware	12,000	230,400	2.37
Ergomed	34,000	396,440	4.07
Renalytix	40,000	22,000	0.23
		<u>879,840</u>	<u>9.04</u>
Financials 13.43% (18.56%)			
Beazley	100,000	564,000	5.80
Close Brothers Group	31,000	287,525	2.95
Liontrust Asset Management	34,000	248,200	2.55
Polar Capital Holdings	50,000	207,500	2.13
		<u>1,307,225</u>	<u>13.43</u>

## Portfolio statement (continued)

as at 30 September 2022

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities (continued)			
Equities - United Kingdom (continued)			
Information Technology 12.29% (15.89%)			
Kainos Group	16,000	205,920	2.12
Keywords Studios	21,000	482,580	4.96
Softcat	27,000	321,030	3.30
TT Electronics	131,849	185,644	1.91
		<u>1,195,174</u>	<u>12.29</u>
Communication Services 3.68% (4.01%)			
Frontier Developments	20,000	267,200	2.75
Trustpilot Group	120,000	90,300	0.93
		<u>357,500</u>	<u>3.68</u>
Real Estate 5.40% (4.69%)			
Big Yellow Group	31,000	328,600	3.38
Shaffesbury	53,493	196,319	2.02
		<u>524,919</u>	<u>5.40</u>
Total equities - incorporated in the United Kingdom		<u>8,582,588</u>	<u>88.20</u>
Equities - incorporated outwith the United Kingdom 1.66% (3.34%)			
Financials 0.40% (0.78%)			
Peel Hunt	45,000	39,150	0.40
Information Technology 1.26% (2.56%)			
Strix Group	100,000	123,000	1.26
Total equities - incorporated outwith the United Kingdom		<u>162,150</u>	<u>1.66</u>
Total equities - United Kingdom		<u>8,744,738</u>	<u>89.86</u>
Equities - Sweden 0.75% (0.00%)			
VNV Global AB	40,000	73,425	0.75

## Portfolio statement (continued)

as at 30 September 2022

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities (continued)			
Equities - United States 6.56% (4.89%)			
Simulations Plus	4,500	195,512	2.01
Somero Enterprises	115,000	442,750	4.55
Total equities - United States		<u>638,262</u>	<u>6.56</u>
Total equities		<u>9,456,425</u>	<u>97.17</u>
Closed-Ended Funds - United Kingdom 0.00% (3.26%)			
Portfolio of investments		9,456,425	97.17
Other net assets		275,748	2.83
Total net assets		<u>9,732,173</u>	<u>100.00</u>

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

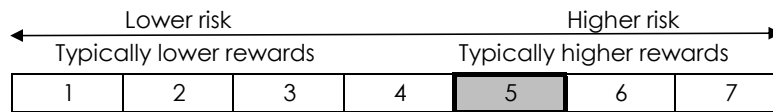
The comparative figures in brackets are as at 30 September 2021.

United Kingdom equities are grouped in accordance with Global Industry Classification Standard ('GICS').

GICS was developed by and is the exclusive property and a service mark of MSCI Inc. ('MSCI') and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ('S&P') and is licensed for use by Evelyn Partners Services Limited (previously Smith & Williamson Services Ltd). Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

## Risk and reward profile (all share classes)

This indicator aims to give you a measure of the price movement of the sub-fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.



Past data may not be a reliable indication of the future risk profile of the sub-fund. The risk category may change in the future and is not guaranteed. The lowest category does not mean risk free. The value of investments and the income from them may fall as well as rise and you may not get back the amount you originally invested.

This sub-fund has been measured as 5 because its investments have experienced moderate to high volatility in the past. The sub-fund's volatility is affected by various risks, including:

- The sub-fund will be exposed to stock markets and market conditions can change rapidly. Prices can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- The sub-fund will be exposed to smaller companies which are typically riskier than larger, more established companies. Difficulty in trading may arise, resulting in a negative impact on your investment. Units in smaller companies may be harder to sell at a desired price and/or in a timely manner, especially in difficult market conditions.
- The sub-fund has exposure to bonds, the prices of which will be impacted by factors including; changes in interest rates, inflation expectations and perceived credit quality.
- When interest rates rise, bond values generally fall. This risk is generally greater for longer term bonds and for bonds with perceived lower credit quality.
- The sub-fund invests mainly in the UK therefore investments will be vulnerable to sentiment in that market which may strongly affect the value of the sub-fund.

Risks which are not adequately captured by the risk indicator include:

- In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner.
- In extreme market conditions redemptions in the underlying funds or the sub-fund itself may be deferred or suspended.

A more detailed description of the risks that apply to this sub-fund can be found in the Company's prospectus.

There have been no changes to the risk and reward indicator in the year.

## Comparative table

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

	A Accumulation			B Accumulation		
	2022	2021	2020	2022	2021	2020
	p	p	p	p	p	p
Change in net assets per share						
Opening net asset value per share	173.20	123.24	138.08	177.81	126.09	140.73
Return before operating charges	(50.13)	52.21	(12.66)	(51.57)	53.43	(12.90)
Operating charges	(2.19)	(2.25)	(2.18)	(1.66)	(1.71)	(1.74)
Return after operating charges *	(52.32)	49.96	(14.84)	(53.23)	51.72	(14.64)
Distributions <sup>^</sup>	(1.64)	(0.57)	(0.19)	(2.27)	(1.15)	(0.70)
Retained distributions on accumulation shares <sup>^</sup>	1.64	0.57	0.19	2.27	1.15	0.70
Closing net asset value per share	120.88	173.20	123.24	124.58	177.81	126.09
* after direct transaction costs of:	0.11	0.20	0.50	0.11	0.20	0.50
Performance						
Return after charges	(30.21%)	40.54%	(10.75%)	(29.94%)	41.02%	(10.40%)
Other information						
Closing net asset value (£)	5,256,087	7,443,510	4,389,197	4,476,086	5,876,154	5,089,907
Closing number of shares	4,348,063	4,297,618	3,561,367	3,592,813	3,304,690	4,036,838
Operating charges <sup>^^</sup>	1.45%	1.47%	1.67%	1.07%	1.09%	1.30%
Direct transaction costs	0.07%	0.13%	0.37%	0.07%	0.13%	0.37%
Published prices						
Highest share price (p)	174.7	183.2	143.0	179.6	188.1	145.7
Lowest share price (p)	120.3	124.6	102.0	124.0	127.6	104.2

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

<sup>^</sup> Rounded to 2 decimal places.

<sup>^^</sup> The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the ACD'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. It is indicative of the charges which may occur in a year as it is calculated on historical data.

Previously, the OCF included expenses incurred by underlying holdings of collective investment schemes in relation to the sub-fund (the synthetic 'OCF'). Following guidance issued by the Investment Association on 2 July 2020, the synthetic OCF calculation has been expanded to include closed ended vehicles such as investment trusts.

## Financial statements - IFSL Church House UK Smaller Companies Fund

## Statement of total return

for the year ended 30 September 2022

	Notes	2022		2021	
		£	£	£	£
Income:					
Net capital (losses) / gains	2		(4,339,459)		3,783,197
Revenue	3	308,331		213,257	
Expenses	4	<u>(149,074)</u>		<u>(145,645)</u>	
Net revenue before taxation		159,257		67,612	
Taxation	5	<u>(6,618)</u>		<u>(4,275)</u>	
Net revenue after taxation			<u>152,639</u>		<u>63,337</u>
Total return before distributions			(4,186,820)		3,846,534
Distributions	6		(152,640)		(63,322)
Change in net assets attributable to shareholders from investment activities			<u><u>(4,339,460)</u></u>		<u><u>3,783,212</u></u>

## Statement of change in net assets attributable to shareholders

for the year ended 30 September 2022

		2022		2021	
		£	£	£	£
Opening net assets attributable to shareholders			13,319,664		9,479,104
Amounts receivable on issue of shares		1,350,454		2,044,328	
Amounts payable on cancellation of shares		<u>(751,645)</u>		<u>(2,057,575)</u>	
			598,809		(13,247)
Dilution levy			-		7,898
Change in net assets attributable to shareholders from investment activities			(4,339,460)		3,783,212
Retained distributions on accumulation shares			153,160		62,697
Closing net assets attributable to shareholders			<u><u>9,732,173</u></u>		<u><u>13,319,664</u></u>

Balance sheet  
as at 30 September 2022

	Notes	2022 £	2021 £
Assets:			
Fixed assets:			
Investments		9,456,425	13,043,942
Current assets:			
Debtors	7	32,712	24,346
Cash and bank balances	8	262,459	267,671
Total assets		<u>9,751,596</u>	<u>13,335,959</u>
Liabilities:			
Creditors:			
Other creditors	9	(19,423)	(16,295)
Total liabilities		<u>(19,423)</u>	<u>(16,295)</u>
Net assets attributable to shareholders		<u>9,732,173</u>	<u>13,319,664</u>

Notes to the financial statements  
for the year ended 30 September 2022

1. Accounting policies

The accounting policies are disclosed on pages 9 to 11.

2. Net capital (losses) / gains

	2022	2021
	£	£
Non-derivative securities - realised losses	(345,712)	(121,502)
Non-derivative securities - movement in unrealised (losses) / gains	(3,987,730)	3,909,659
Currency losses	(357)	(391)
Transaction charges	(5,660)	(4,569)
Total net capital (losses) / gains	<u>(4,339,459)</u>	<u>3,783,197</u>

3. Revenue

	2022	2021
	£	£
UK revenue	242,447	162,759
Unfranked revenue	15,763	11,604
Overseas revenue	49,779	38,859
Bank and deposit interest	342	35
Total revenue	<u>308,331</u>	<u>213,257</u>

4. Expenses

	2022	2021
	£	£
Payable to the ACD and associates		
Annual management charge*	130,628	125,174
Registration fees	313	337
	<u>130,941</u>	<u>125,511</u>
Payable to the Depositary		
Depositary fees	<u>6,238</u>	<u>8,994</u>
Other expenses:		
Audit fee	6,892	5,964
Non-executive directors' fees	935	1,069
Safe custody fees	384	366
Bank interest	23	88
FCA fee	163	208
KIID production fee	1,036	1,142
Platform charges	902	743
Publication fee	1,560	1,560
	<u>11,895</u>	<u>11,140</u>
Total expenses	<u>149,074</u>	<u>145,645</u>

\* The annual management charge includes the ACD's periodic charge and the Investment Manager's fee. For the year ended 30 September 2022, the annual management charge for each share class is as follows:

A Accumulation	1.25%
B Accumulation	0.88%



## Notes to the financial statements (continued)

for the year ended 30 September 2022

5. Taxation	2022	2021
	£	£
<i>a. Analysis of the tax charge for the year</i>		
Overseas tax withheld	6,618	4,275
Total taxation (note 5b)	<u>6,618</u>	<u>4,275</u>

*b. Factors affecting the tax charge for the year*

The tax assessed for the year is lower (2021: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2021: 20%). The differences are explained below:

	2022	2021
	£	£
Net revenue before taxation	<u>159,257</u>	<u>67,612</u>
Corporation tax @ 20%	31,851	13,522
Effects of:		
UK revenue	(48,489)	(32,552)
Overseas revenue	(9,956)	(7,771)
Overseas tax withheld	6,618	4,275
Excess management expenses	26,594	26,801
Total taxation (note 5a)	<u>6,618</u>	<u>4,275</u>

*c. Provision for deferred taxation*

At the year end, a deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £248,396 (2021: £221,802).

## 6. Distributions

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

	2022	2021
	£	£
Interim accumulation distribution	60,698	29,160
Final accumulation distribution	<u>92,462</u>	<u>33,537</u>
	153,160	62,697
Equalisation:		
Amounts deducted on cancellation of shares	4,115	4,963
Amounts added on issue of shares	(4,624)	(4,361)
Net equalisation on conversions	(11)	23
Total net distributions	<u>152,640</u>	<u>63,322</u>
Reconciliation between net revenue and distributions:		
Net revenue after taxation per Statement of total return	152,639	63,337
Undistributed revenue brought forward	62	47
Undistributed revenue carried forward	(61)	(62)
Distributions	<u>152,640</u>	<u>63,322</u>

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

Notes to the financial statements (continued)  
for the year ended 30 September 2022

7. Debtors	2022	2021
	£	£
Amounts receivable on issue of shares	6,923	2,047
Accrued revenue	25,539	22,013
Prepaid expenses	250	286
Total debtors	<u>32,712</u>	<u>24,346</u>
8. Cash and bank balances	2022	2021
	£	£
Total cash and bank balances	<u>262,459</u>	<u>267,671</u>
9. Other creditors	2022	2021
	£	£
Amounts payable on cancellation of shares	-	8,348
Accrued expenses:		
Payable to the ACD and associates		
Annual management charge	<u>9,569</u>	<u>-</u>
Other expenses:		
Safe custody fees	64	68
Audit fee	6,892	5,964
Non-executive directors' fees	1,324	390
FCA fee	31	104
Publication fee	1,170	1,170
Platform charges	218	215
Transaction charges	<u>155</u>	<u>36</u>
	<u>9,854</u>	<u>7,947</u>
Total other creditors	<u>19,423</u>	<u>16,295</u>
10. Commitments and contingent liabilities		
At the balance sheet date there are no commitments or contingent liabilities.		

## 11. Share classes

The following reflects the change in shares in issue in the year:

	A Accumulation
Opening shares in issue	4,297,618
Total shares issued in the year	362,949
Total shares cancelled in the year	(300,407)
Total shares converted in the year	<u>(12,097)</u>
Closing shares in issue	<u>4,348,063</u>
	B Accumulation
Opening shares in issue	3,304,690
Total shares issued in the year	507,688
Total shares cancelled in the year	(231,344)
Total shares converted in the year	<u>11,779</u>
Closing shares in issue	<u>3,592,813</u>

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



## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 14. Transaction costs (continued)

## a Direct transaction costs (continued)

	Sales before transaction costs	Commission	Taxes	Financial transaction tax	Sales after transaction costs
	£	£ %	£ %	£ %	£
2022					
Equities	2,299,455	(1,193) 0.05%	(14) 0.00%	- -	2,298,248

	Sales before transaction costs	Commission	Taxes	Financial transaction tax	Sales after transaction costs
	£	£ %	£ %	£ %	£
2021					
Equities	3,149,430	(2,430) 0.08%	(28) 0.00%	- -	3,146,972

Capital events amount of £297,500 (2021: £nil) is excluded from the total sales as there were no direct transaction costs charged in these transactions.

## Summary of direct transaction costs

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

2022	£	% of average net asset value
Commission	3,577	0.03%
Taxes	5,335	0.04%
Financial transaction tax	245	0.00%
2021	£	% of average net asset value
Commission	5,018	0.04%
Taxes	10,682	0.09%
Financial transaction tax	2	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 0.74% (2021: 0.84%).

## 15. Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Prospectus, the following are accepted by the ACD as being the main risks from the sub-fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the ACD'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 ACD, which sets the risk appetite and ensures continued compliance with the management of all known risks.

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 15. Risk management policies (continued)

## a Market risk

Market risk is the risk that the value of the sub-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 sub-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 sub-fund is exposed to price fluctuations, which are monitored by the ACD 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 sub-fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 30 September 2022, if the price of the investments held by the sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders of the sub-fund would increase or decrease by approximately £472,821 (2021: £652,197).

## (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. Investments in UK securities investing in overseas securities will give rise to indirect exposure to currency risk. 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 foreign currency risk profile of the sub-fund's financial instruments and cash holdings at the balance sheet date is as follows:

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2022			
Swedish krona	73,425	-	73,425
US dollar	195,512	8,757	204,269
Total foreign currency exposure	<u>268,937</u>	<u>8,757</u>	<u>277,694</u>
	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2021			
US dollar	131,828	5,674	137,502
Total foreign currency exposure	<u>131,828</u>	<u>5,674</u>	<u>137,502</u>

At 30 September 2022, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the net assets attributable to shareholders of the sub-fund would increase or decrease by approximately £13,885 (2021: £6,875).

## Notes to the financial statements (continued)

for the year ended 30 September 2022

### 15. Risk management policies (continued)

#### a Market risk (continued)

##### (iii) Interest rate risk

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

During the year the sub-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 sub-fund.

The sub-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.

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

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

#### c Liquidity risk

A significant risk is the cancellation of shares 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 shares 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 shares in the sub-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 sub-fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the sub-fund may not be able to immediately sell such securities.

To reduce liquidity risk the ACD will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the sub-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 sub-fund.

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the sub-fund to meet large redemptions, 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.

## Notes to the financial statements (continued)

for the year ended 30 September 2022

## 15. Risk management policies (continued)

## 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 ACD 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 sub-fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

	Investment assets	Investment liabilities
Basis of valuation	2022	2022
	£	£
Quoted prices	9,456,425	-
Observable market data	-	-
Unobservable data	-	-
	<u>9,456,425</u>	<u>-</u>

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

	Investment assets	Investment liabilities
Basis of valuation	2021	2021
	£	£
Quoted prices	13,043,942	-
Observable market data	-	-
Unobservable data*	-	-
	<u>13,043,942</u>	<u>-</u>

\* The following security is valued in the portfolio of investments using a valuation technique:

*Havelock Europa* : The fair value pricing committee determined that it is appropriate to include the security in the portfolio of investments with no value, as the security is in administration (subsequently dissolved on 9 October 2021).

## Unobservable data

Unobservable data has been used only where relevant observable market data is not available. Where there was no reputable price source for an investment, the ACD has assessed information available from internal and external sources in order to arrive at an estimated fair value. The fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. The ACD also makes judgements and estimates based on their knowledge of recent investment performance, historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions used are under continuous review by the ACD with particular attention paid to the carrying value of the investments.

## e Assets subject to special arrangements arising from their illiquid nature

The following assets held in the portfolio of investments are subject to special arrangements arising from their illiquid nature:

	2022	2021
	% of the total net asset value	% of the total net asset value
Havelock Europa	-	-
Total	<u>-</u>	<u>-</u>

## Notes to the financial statements (continued)

for the year ended 30 September 2022

### 15. Risk management policies (continued)

#### f Derivatives

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

The ACD monitors that any exposure is covered globally to ensure adequate cover is available to meet the sub-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 sub-fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the sub-fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The sub-fund may transact in derivative contracts which potentially exposes the sub-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 an appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Depositary.

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 sum of the net asset value and the incremental 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 30 September 2022

## Distributions on A Accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.606	-	0.606	0.271
31.05.22	group 2	interim	0.193	0.413	0.606	0.271
30.11.22	group 1	final	1.030	-	1.030	0.299
30.11.22	group 2	final	0.391	0.639	1.030	0.299

## Distributions on B Accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.22	group 1	interim	0.941	-	0.941	0.524
31.05.22	group 2	interim	0.426	0.515	0.941	0.524
30.11.22	group 1	final	1.327	-	1.327	0.626
30.11.22	group 2	final	0.634	0.693	1.327	0.626

## Equalisation

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

## Accumulation distributions

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

## Interim distributions:

- Group 1 Shares purchased before 1 October 2021
- Group 2 Shares purchased 1 October 2021 to 31 March 2022

## Final distributions:

- Group 1 Shares purchased before 1 April 2022
- Group 2 Shares purchased 1 April 2022 to 30 September 2022

## Remuneration

### Remuneration code disclosure

The remuneration committee is responsible for setting the remuneration policy for all partners, directors and employees within the Evelyn Partners Group (formerly Tilney Smith & Williamson Group) including individuals designated as Material Risk Takers (MRTs) 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 the Tilney Smith & Williamson Report and Financial Statements includes details on the remuneration policy. The remuneration committee comprises four non-executive directors<sup>1</sup> and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met eight times during 2021.

### 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. The committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

<sup>1</sup> Please note that the data provided for the independent non-executive directors is as at 31 December 2021. The data provided is for independent non-executive directors only.

## Remuneration (continued)

### Aggregate quantitative information

The total amount of remuneration paid by Evelyn Partners Fund Solutions Limited ('EPFL') (previously Smith & Williamson Fund Administration Limited) is nil as EPFL has no employees. However, a number of employees have remuneration costs recharged to EPFL and the annualised remuneration for these 60 employees is £2.6million of which £2.5million is fixed remuneration. This is based on the annualised salary and benefits for those identified as working in EPFL as at 31 December 2021. Any variable remuneration is awarded for the period 1 May 2021 to 31 December 2021. This information excludes any senior management or other MRTs whose remuneration information is detailed below.

Evelyn Partners Group Limited (previously Tilney Smith & Williamson) reviews its MRTs at least annually. These individuals are employed by and provide services to other companies in the Evelyn Partners Group Limited (previously Tilney Smith & Williamson). It is difficult to apportion remuneration for these individuals in respect of their duties to EPFL. For this reason, the aggregate total remuneration awarded for the period 1 May 2021 to 31 December 2021 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 EPFL		For the period 1 May 2021 to 31 December 2021				No. MRTs
		Fixed	Variable		Total	
	£'000	Cash £'000	Equity £'000	£'000		
Senior Management	3,098	1,670	11	4,779	15	
Other MRTs	404	218	-	622	3	
<b>Total</b>	<b>3,502</b>	<b>1,888</b>	<b>11</b>	<b>5,401</b>	<b>18</b>	

### Investment Manager

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

## Further information

### Distributions and reporting dates

Where net revenue is available it will be distributed/allocated semi-annually on 30 November (final) and 31 May (interim). In the event of a distribution, shareholders will receive a tax voucher.

XD dates:	1 October	final
	1 April	interim

Reporting dates:	30 September	annual
	31 March	interim

### Buying and selling shares

The property of the sub-funds is valued at 12 noon on Monday to Friday where these days are business days, excluding the last trading day before the 25 December or any day on which the ACD has notified the Depositary that it is not open for normal business or otherwise agreed between the ACD and the Depositary and prices of shares are calculated as at that time. Share dealing is on a forward basis i.e. investors can buy and sell shares at the next valuation point following receipt of the order.

	Minimum initial investment and minimum holding value	Minimum subsequent investment
IFSL Church House Tenax Absolute Return Strategies Fund:		
<i>share classes available for investment</i>		
A Income and Accumulation shares	£5,000	£5,000
B Income and Accumulation shares	£100,000	£100,000
C Income and Accumulation shares	£1,000,000	£1,000,000
I Income and Accumulation shares	£30,000,000	£1,000,000

### IFSL Church House UK Smaller Companies Fund:

#### *share classes available for investment*

A Accumulation shares	£5,000	£1,000
B Accumulation shares	£100,000	£100,000

The minimum investments may be waived by the ACD at its discretion.

There is no initial charge applied on the purchase of shares.

Prices of shares and the estimated yield of the share classes are published on the following website: [www.trustnet.com](http://www.trustnet.com) or may be obtained by calling 0808 178 9321.

## Benchmark

### IFSL Church House Tenax Absolute Return Strategies Fund:

Shareholders may compare the performance of the sub-fund against its primary benchmark, the Bank of England SONIA Compounded Index.

SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. As the sub-fund aims to provide an absolute return, aiming to achieve positive returns over rolling twelve-month periods the ACD believes it is a meaningful benchmark to help shareholders assess the performance of the sub-fund.

Shareholders may also compare the performance of the sub-fund against the IA Targeted Absolute Return Sector. This will give shareholders an indication of how the sub-fund is performing against other similar funds in this peer group.

Shareholders may also compare the performance of the sub-fund against the FTSE 100 index. This will give shareholders an indication of how the sub-fund is performing against equity markets.

The benchmarks are not targets for the sub-fund, nor is the sub-fund constrained by the benchmarks.

## Further information (continued)

### Benchmark (continued)

IFSL Church House UK Smaller Companies Fund:

Shareholders may compare the performance of the sub-fund against the FTSE All-Share Index and the FTSE Small Cap ex Investment Trusts Index.

Comparison of the sub-fund's performance against these comparator benchmarks will give sub-fund holders an indication of how the sub-fund is performing.

The ACD has selected these comparator benchmarks as the ACD believes they best reflect the asset allocation of the sub-fund.

The benchmarks are not targets for the sub-fund, nor is the sub-fund constrained by the benchmarks.

The sub-funds produced the following performance<sup>^</sup> per share class over the period from 1 October 2021 to 30 September 2022, based on Cumulative Returns and mid-prices:

IFSL Church House Tenax Absolute Return Strategies Fund:

A Income	-10.70%
A Accumulation	-10.68%
B Income	-10.51%
B Accumulation	-10.46%
C Income	-10.36%
C Accumulation	-10.38%

IFSL Church House UK Smaller Companies Fund:

A Accumulation	-31.10%
B Accumulation	-30.84%

<sup>^</sup> Source: FE fundinfo

## Appointments

ACD and Registered office - to 30 September 2022

St Vincent St Fund Administration (a trading name of Evelyn Partners Fund Solutions Limited (previously Smith & Williamson Fund Administration Limited))

45 Gresham Street

London, EC2V 7BG

Telephone: 0207 131 4000

Authorised and regulated by the Financial Conduct Authority

ACD and Registered office - from 1 October 2022

Investment Fund Services Limited

Marlborough House

59 Chorley New Road

Bolton, BL1 4QP

Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar - to 30 September 2022

St Vincent St Fund Administration (a trading name of Evelyn Partners Fund Solutions Limited (previously 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

Administrator and Registrar - from 1 October 2022

Investment Fund Services Limited

Marlborough House

59 Chorley New Road

Bolton, BL1 4QP

Authorised and regulated by the Financial Conduct Authority

Directors of the ACD - to 30 September 2022

Brian McLean

Andrew Baddeley

Mayank Prakash – appointed 16 March 2022

Neil Coxhead - appointed 12 July 2022

James Gordon - resigned 29 July 2022

Independent Non-Executive Directors of the ACD - to 30 September 2022

Dean Buckley

Linda Robinson

Victoria Muir

Sally Macdonald - appointed 1 June 2022

Non-Executive Directors of the ACD - to 30 September 2022

Kevin Stopps - resigned 1 October 2021

Paul Wyse

## Appointments (continued)

### Directors of the ACD - from 1 October 2022

Allan Hamer

Helen Derbyshire

Helen Redmond

Sally Helston

### Non-Executive Directors of the ACD - from 1 October 2022

Andrew Staley

### Independent Non-Executive Directors of the ACD - from 1 October 2022

Guy Sears

Sarah Peaston

### Investment Manager

Church House Investments Limited

York House

6 Coldharbour

Sherborne

Dorset, DT9 4JW

Authorised and regulated by the Financial Conduct Authority

### Depositary

NatWest Trustee and Depositary Services Limited

House A, Floor 0

Gogarburn

175 Glasgow Road

Edinburgh, EH12 1HQ

Authorised and regulated by the Financial Conduct Authority

### Auditor<sup>1</sup>

Johnston Carmichael LLP

Bishop's Court

29 Albyn Place

Aberdeen, AB10 1YL

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh, EH3 8EX

<sup>1</sup> The auditor of the Company will change from Johnston Carmichael LLP to Ernst & Young LLP following the publication date of the accounts.