



LF Waverton Charity Fund

Annual Report and Financial Statements

For the period from 28 May 2019 to 31 December 2019

LF Waverton Charity Growth & Income Fund

MANAGER AND ALTERNATIVE INVESTMENT FUND MANAGER ('AIFM')

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K.J. Midl
A.J. Stenning (appointed 17 October 2019)
A.J. Stuart

PORTFOLIO MANAGER

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MANAGER'S REPORT

for the period from 28 May 2019 to 31 December 2019

Authorised Status

LF Waverton Charity Fund ('the Trust') is a unit trust authorised by the Financial Conduct Authority ('FCA') with effect from 20 March 2019. The Trust has an unlimited duration.

The Trust is a Charity Authorised Investment Fund and has been established exclusively to further the charitable purposes of the charities that directly or indirectly hold units in the Trust. As such all unitholders must themselves be charities. The Trust is a charity registered by the Charity Commission for England and Wales with registration number 1182901.

The Manager and the Trustee are the charity trustees under the Charities Act ('Charity Trustees').

The Trust is a non-UCITS retail scheme for the purposes of the Regulations.

Unitholders are not liable for the debts of the Trust. Unitholders are not liable to make any further payment to the Trust after they have paid the price on purchase of the units.

Manager's Statement

COVID-19

The outbreak of COVID-19, declared by the World Health Organisation as a pandemic on 11 March 2020, caused significant disruption to business and economic activity which was reflected in the fluctuations seen in the global stock markets. In the short time since its emergence the ramifications of COVID-19 and its long term impacts are now being fully recognised, as various national governments continue to provide financial support and stimulus to their economies. In the immediate aftermath of the global recognition of the seriousness of the pandemic there were sharp declines in asset prices and whilst there has been an element of recovery since then, there is now the unknown factor of the most dramatic global recession seen in living memory and how this will translate into future asset pricing. This combined with the fear, in many countries, of a second wave of COVID-19 would indicate that an extended period of instability will exist for some time as governments, society and business seek to understand how COVID-19 can be managed until such time there is a means of immunising the population.

Important Information

On 28 May 2019, a new Trust, the LF Waverton Charity Fund was launched. Further details on this Trust are available in the latest Prospectus.

On 28 May 2019, a new sub-fund, the LF Waverton Charity Growth & Income Fund was launched. Further details on this Trust are available in the latest Prospectus.

MANAGER'S REPORT *continued*

Remuneration Policy

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

LFSL acts as the operator of both UCITS Funds and AIFs.

LFSL delegates portfolio management for the AIFs to various investment management firms. The portfolio managers' fees and expense for providing investment management services are paid by the Manager out of its own remuneration under the Manager agreement. The investment management firms make information on remuneration publicly available in accordance with the disclosure requirements of Pillar 3 of the Capital Requirements Directive. This disclosure is in respect of LFSL activities (including activities performed by its sister company Link Fund Administrators Limited (LFAL) or by employees of that entity), and excludes activities undertaken by third party investment management firms. LFSL staff do not perform duties in respect of particular AIFs, nor are they remunerated by reference to the performance of any individual AIF. Accordingly, the information below is for LFSL as a whole. No attempt has been made to attribute remuneration to the Trust itself.

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 30 June 2019, being the most recent accounting period which accounts have been prepared for LFSL prior to the production of these accounts. As at 30 June 2019, LFSL operated 98 UCITS and 81 AIFs, whose respective assets under management ('AuM') were £38,284 million and £34,426 million. The Trust was valued at £3 million as at that date and represented 0.00% of LFSL's total AuM and 0.01% of its AIF AuM.

The disclosure below represents that required under Fund 3.3.5 R (5) and (6) for funds subject to AIFMD obligations.

2019	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 30 June 2019	163	7,503	682	8,185
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 30 June 2019				
Senior management (including all Board members)	6	740	310	1,050
Staff engaged in control functions	4	411	35	446
Risk takers and other identified staff	16	1,378	122	1,500
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	—	—	—	—

MANAGER'S REPORT *continued*

Remuneration Policy *continued*

LFSL's remuneration arrangement include fixed salaries, contributory pension arrangements and certain other benefits, and the potential for discretionary bonuses. The amount available for payment of discretionary bonuses is dependent on satisfactory performance by LFSL as a whole, rather than the performance of any individual fund. Subject to satisfactory LFSL performance, bonuses may then be paid to staff to reflect their contribution to LFSL's success. The precise metrics used will vary by function, but consideration is given to both qualitative and quantitative measures.

None of LFSL's staff receives remuneration based on the performance of any individual fund.

Further details can be found at:

www.linkfundsolutions.co.uk/assets/media/LFS_Explanation_of_Compliance_with_Remuneration_Code.pdf.

Securities Financing Transactions

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

Value Assessment

In accordance with current Financial Conduct Authority rules, the Manager is required to carry out an annual assessment on whether the Trust provides value to investors. The outcome of this assessment will be published on the Manager's website no later than 4 months from the record date of 30 June 2020.

LINK FUND SOLUTIONS LIMITED

Manager of LF Waverton Charity Fund

24 June 2020

DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook and the Investment Funds Sourcebook, as applicable, as issued and amended by the Financial Conduct Authority together with the relevant provisions of the Alternative Investment Fund Manager's Directive and modified by a direction given by the Financial Conduct Authority where the Manager has opted to provide a NURS KII Document, a Key Investor Information Document for Non-UCITS Retail Schemes.

N. BOYLING

K.J. MIDL

LINK FUND SOLUTIONS LIMITED

Manager of LF Waverton Charity Fund

24 June 2020

STATEMENT OF THE CHARITY TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

As set out on page 3 the Charity Trustees under the Charities Act are the Manager and the Trustee.

Under charity law, the Charity Trustees are responsible for preparing the financial statements for each financial year which show a true and fair view of the financial position of the Trust and of the net income and net gains or losses on the property of the Trust for the period. The Charity Trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In preparing these financial statements, generally accepted accounting practice entails that the Charity Trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice *Accounting and Reporting by Charities* have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements;
- assess the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Charity Trustees are required to act in accordance with the trust deed and the rules of the Trust, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Trust at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

The Charity Trustees are responsible for the maintenance and integrity of the financial and other information included on the Trust's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF MANAGER'S RESPONSIBILITIES

In addition to its responsibilities as a trustee set out above, the Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") requires the Manager to:

- prepare financial statements that comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assess the Trust's sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Trust's sub-fund or to cease operations, or have no realistic alternative but to do so.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, the Prospectus and the COLL Rules.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Trustee must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook and, from 22 July 2014, the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the Scheme documents') as summarised below.

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

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

The Trustee must ensure that:

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

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

REPORT OF THE TRUSTEE

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

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

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Trustee of LF Waverton Charity Fund

24 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE CHARITY TRUSTEES AND UNITHOLDERS OF LF WAVERTON CHARITY FUND ('THE TRUST')

Opinion

We have audited the financial statements of the Trust for the period from 28 May 2019 to 31 December 2019 which comprise the Statements of Total Return, the Statements of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Table for the Trust's only sub-fund listed on page 2 and the accounting policies set out on pages 25 to 42.

In our opinion the financial statements:

- give a true and fair view of the financial position of the sub-fund as at 31 December 2019 and of the net revenue and the net capital gains on the sub-fund for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for Opinion

We have been appointed as auditor under section [144/145/149/150] of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Trust or its sub-fund or to cease its operations, and as they have concluded that the Trust and its sub-fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Manager's conclusions, we considered the inherent risks to the Trust's and its sub-fund's business model and analysed how those risks might affect the Trust's and its sub-fund's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE CHARITY TRUSTEES AND UNITHOLDERS OF LF WAVERTON CHARITY FUND ('THE TRUST') *continued*

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust or its sub-fund will continue in operation.

Other Information

The Manager (Link Fund Solutions Limited) is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Manager's Report for the period is consistent with the financial statements.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where under the COLL Rules and the Charities Act 2011 we are required to report to you if, in our opinion:

- proper and sufficient accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records.

Charity Trustees' and Manager's Responsibilities

As explained more fully in their statements set out on pages 7 and 8, the Charity Trustees and the Manager are responsible for: the preparation of financial statements that give a true and fair view; 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; assessing the Trust and its sub-fund'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 they either intend to liquidate the Trust or its sub-fund or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE CHARITY TRUSTEES AND UNITHOLDERS OF LF WAVERTON CHARITY FUND ('THE TRUST') *continued*

Auditor's Responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities

This report is made solely to the Trust's unitholders, 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 section 247 of the Financial Services and Markets Act 2000 and to the Charity Trustees, as a body, under section [144/145/149/150] of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Trust's unitholders and the Charity Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust, the Charity Trustees and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

ALAIN DE BRAEKELEER
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
24 June 2020

LF WAVERTON CHARITY GROWTH & INCOME FUND MANAGER'S REPORT

for the period from 28 May 2019 to 31 December 2019

Important Information

Refer to the 'Important Information' section on page 3.

Investment Objective and Policy

The investment objective of the LF Waverton Charity Growth & Income Fund ('the Trust') is to deliver a total return (the combination of income and capital growth) equal to the Consumer Price Index plus 3% per annum net of fees over rolling six year periods. There is no guarantee that the objective will be met or that a positive return will be delivered over any time period and capital is at risk.

The investment policy adopts a multi-asset approach with a portfolio of between 35 to 70 holdings giving both UK and global exposure with no particular emphasis on any industry, market or geographical sector. The asset classes the Trust can invest in are equities, debt securities (government and corporate bonds, loans, credit), cash, money market instruments, private equity, property, infrastructure, commodities and hedge funds.

At least 40% of the portfolio will be in equities. The Trust may gain exposure to the asset classes listed directly and indirectly by investing in transferable securities and collective investment schemes (open and closed ended), which may include other collective investment schemes managed or advised by the Manager, the Portfolio Manager or their associates. The Trust may also invest in structured products. Exposure to property, private equity, infrastructure and commodities will be indirect.

The Trust may employ derivatives and forward transactions for investment purposes and for the purposes of Efficient Portfolio Management.

The Trust invests its direct equity exposure in accordance with the parameters of the Trust's ethical criteria, which consider ethical issues in relation to gambling, tobacco, controversial weapons or pornography. The Portfolio Manager operates screening whereby potential investments are screened against the Trust's ethical investment criteria, the details of which are included in the document on the Manager's website setting out the Trust's ethical investment criteria. Where an investment is subsequently identified as not meeting the Trust's ethical investment criteria the Portfolio Manager will seek to sell the investment within the following 90 days. The prices at which such an investment can be sold in these circumstances may be lower than the prices that might otherwise have been realised for the investment if such a sale was not required.

When assessing an investment the Portfolio Manager considers a number of financial factors; in particular the Portfolio Manager is seeking companies which it considers have a sustainable competitive advantage, opportunities to grow cash flow, a value enhancing management strategy and an attractive valuation in relation to opportunity and risk. In addition, with reference to direct equities and bonds the Portfolio Manager considers non-financial factors including environmental, social and governance ("ESG") factors. Whilst the Portfolio Manager looks to understand a company's ESG profile, they do not preclude it from investment solely on the basis of its profile but use this information to help inform their investment decision.

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

Benchmark

The Trust's target benchmark is the Consumer Price Index plus 3%.

The Consumer Price Index plus 3% has been selected as the Trust's target return benchmark as the Trust aims to achieve a return (the money made or lost on an investment) that is above the rate of inflation. The Consumer Price Index is used to measure the rate of inflation. Please refer to the Trust's investment objective for detail regarding how achievement of the target return benchmark is measured, and over what time period.

LINK FUND SOLUTIONS LIMITED

Manager of LF Waverton Charity Growth & Income Fund

24 June 2020

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the period from 28 May 2019 to 31 December 2019

The Trust was established on 28 May 2019. Performance numbers will be shown once the Trust has been in existence for one year.

The Trust enjoyed a positive start over the period since inception, rising by +6.2%¹. Equities (+8.4%) provided the majority of returns, although all asset classes offered a positive result. The North American holdings provided the bulk of equity returns, but the Asia Pacific region was the highest returning. On an industry basis, Technology was the greatest contributor, with the holdings in Apple (+45.6%), Samsung (+25.8%) and Microsoft (+20.3%) of particular note. Healthcare provided a mixed result with good returns from Philips, Biogen and Novo Nordisk somewhat offset by Illumina, which was the poorest performer in the portfolio during the period. Energy companies (Shell and Chevron) were also poor performers, affected by lower oil prices. It was pleasing, but unusual, to see strong returns from bonds (+4.6%) and alternatives (+4.4%) complementing the positive returns from equities.

Major Activity

The Trust was established through in-specie transfers of existing clients at Waverton. There was some subsequent activity in May and June in order to ensure that the portfolio was correctly positioned once these transfers had taken place, and the additional cash accounted for.

In July we grew increasingly concerned about the outlook for global equities and our allocation to this asset class was moderated somewhat, closer to our neutral position of 60%. We reduced the position size of Visa, Linde and Amazon and sold out of Croda and CK Hutchison to reflect this change of view, during July and August.

Some new holdings were added as the year progressed, often in place of existing companies where either the investment thesis had successfully matured, or where better options were identified. Chevron was purchased in place of EOG resources, as a better diversified company. We sold Biogen following a positive surprise in terms of its pipeline of new drugs, and replaced it with AstraZeneca, the UK pharmaceutical company which we believe will benefit from a number of new products.

New ideas which fit Waverton's investment criteria were added as opportunities appeared and valuations were acceptable, including Hitachi, the Japanese industrial, which was added in September. Later in the year we purchased a stake in RELX, the UK/Dutch publishing and events management company. We also added the Waverton South East Asian Fund, a mid-cap specialist fund to complement the directly held large-cap Asian stocks. We added Melrose in December, the UK company which specialises in buying, improving and selling businesses. Finally, we added to Trust's exposure of the accounting software industry by buying a modest stake in Xero in December, an innovative New Zealand company, and we participated in the initial public offering for Freee, a newly listed Japanese accounting software firm. Although the latter allocation was the largest possible, it remained a small percentage of the Trust, which we sold at a 30% gain. None of these transactions meaningfully increased our allocation to equities as we invested cash inflows into the Trust.

¹ Source: Waverton, FactSet.

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

In the Alternatives allocation of the portfolio we added to all three of our infrastructure investments: 3i Infrastructure, HICL and Greencoat UK Wind, either through new share issues or by purchasing shares in the secondary market. The purchase of HICL was executed prior to the election as the valuation briefly plummeted owing to concerns over a Labour victory, which we determined had been overdone irrespective of the election outcome.

Portfolio Composition

The portfolio has a majority of its assets invested directly in global equities, which we have maintained close to a 60% weight since July 2019. We are conscious that while this asset class is able to provide attractive returns, it also has an inherent level of high volatility. As the Trust's objective is to at least match the Consumer Price Index plus 3% per annum, this volatility needs to be tempered through allocations to asset classes which might struggle to provide a return akin to the Consumer Price Index plus 3% in their own right. Nevertheless, in combination with the equity allocation, they help to moderate volatility and create a well-diversified portfolio. It is primarily for this reason that we hold bonds, both corporate and government, which made up 20.5% at the end of December. We have also maintained a meaningful exposure to alternative assets, including property, infrastructure and gold, which represented 13.5% as at 31 December.

Outlook

We are no doubt in the latter stages of the current economic cycle. It is now one of the longest in recorded history, but shows few signs of ending, despite a reduction in corporate profit growth during 2019. Central banks' policy makers have been vigilant in helping to prevent a recession through supportive interest rates and in bond purchasing programmes. While these policies will not be able to avert a recession forever, we do think that there is enough momentum in the global economy to support further gains in a carefully selected portfolio over the medium term.

Following the end of the year we have witnessed the outbreak and spread of COVID-19. This will undoubtedly have an impact on the investments in the Trust, but there is still much which is unknown at this stage. Given the uncertainty around both supply and demand, companies are in cash preservation mode and there will undoubtedly be a greater shift towards prioritising the well-being of employees over returns of cash to shareholders. This may impact both the capital value and the income generation in the Trust. However, we believe that we have invested in stable companies in the portfolio with sustainable franchises that are competitively well-positioned, free cash flow generative, with strong balance sheets that should enable them to withstand a significant downturn. Furthermore the portfolio has exposure to bonds and alternative assets to help to offset some of the equity market volatility. We therefore think that the Trust is well positioned to weather this crisis and prosper over time.

WAVERTON INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

21 April 2020

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

TRUST INFORMATION

Risk and Reward Profile



This indicator shows how much a trust may have risen and fallen in the past, and therefore how much a trust's returns may have varied. It is a measure of a trust's volatility. As the Trust has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. The higher a trust's past volatility the higher the number on the scale and the greater the risk that investors in that trust may have made losses as well as gains. The lowest number on the scale does not mean that a trust is risk free investment.

The Trust has been classed as 5 because its volatility has been measured as above average.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Trust.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

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

Bond Risk: The Trust invests in bonds. The value of bonds are affected by changes in interest rates, inflation and their credit ratings.

Counterparty Risk: As the Trust may enter into derivative agreements there is a risk that other parties may fail to meet their obligations. This may lead to delays in receiving amounts due to the Trust, receiving less than is due or receiving nothing.

Use of Derivatives Risk: The Trust invests in derivatives. A relatively small movement in the value of the derivative's underlying investment may have a much larger impact, positive or negative, on the value of the Trust than if the Trust were to hold the underlying investment itself.

Concentration Risk: The Trust may be invested in a concentrated number of securities or industries, markets or geographical sectors, which increases the possibility of the Trust's value being more volatile (both up and down) than if it were invested in a more diversified portfolio.

For full details of the Trust's risks, please see the Prospectus which may be obtained upon application and can be found on the Manager's website, www.linkfundsolutions.co.uk.

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

TRUST INFORMATION *continued*

Comparative Tables

Where the Trust has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the period end weighted against the net asset value of the unit class at that date.

RETAIL INCOME UNITS

CHANGE IN NET ASSETS PER UNIT	31.12.19 ¹ pence per unit
Opening net asset value per unit	100.00
Return before operating charges*	5.51
Operating charges	(0.62)
Return after operating charges	4.89
Distributions	(1.18)
Closing net asset value per unit	103.71
* after direct transaction costs of:	0.07

PERFORMANCE

Return after charges	4.89%
----------------------	-------

OTHER INFORMATION

Closing net asset value (£'000)	9,788
Closing number of units	9,437,964
Operating charges	1.01% ²
Direct transaction costs	0.11% ²

PRICES

Highest unit price	105.56
Lowest unit price	98.59

¹ From 28 May 2019.

² Annualised figure due to unit class launched less than 1 year.

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

TRUST INFORMATION *continued*

Comparative Tables *continued*

RETAIL ACCUMULATION UNITS

CHANGE IN NET ASSETS PER UNIT	31.12.19 ¹ pence per unit
Opening net asset value per unit	100.00
Return before operating charges*	5.52
Operating charges	(0.62)
Return after operating charges	4.90
Distributions	(1.19)
Retained distributions on accumulation units	1.19
Closing net asset value per unit	104.90
* after direct transaction costs of:	0.07

PERFORMANCE

Return after charges	4.90%
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OTHER INFORMATION

Closing net asset value (£'000)	679
Closing number of units	647,699
Operating charges	1.01% ²
Direct transaction costs	0.11% ²

PRICES

Highest unit price	106.01
Lowest unit price	98.59

¹ From 28 May 2019.

² Annualised figure due to unit class launched less than 1 year.

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

TRUST INFORMATION *continued*

Trust Performance

As the Trust was launched less than one year ago, in accordance with FCA rules, no performance data is permitted to be reported.

RISK WARNING

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

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 December 2019

Holding	Portfolio of Investments	Value £'000	31.12.19 %
	DEBT SECURITIES – 8.99%		
£20,000	Intermediate Capital 5% 24/3/2023	21	0.20
£750,000	UK Treasury 2% 22/7/2020	755	7.21
\$203,500	US Treasury 2.75% 15/8/2047	165	1.58
	TOTAL DEBT SECURITIES	941	8.99
	BOND FUNDS – 11.52%		
62,770	Waverton Global Strategic Bond ^{1,2}	491	4.69
74,745	Waverton Sterling Bond ^{1,2}	715	6.83
	TOTAL BOND FUNDS	1,206	11.52
	UNITED KINGDOM – 15.05%		
2,500	AstraZeneca	190	1.82
127,482	Greencoat UK Wind ¹	191	1.82
91,000	HICL Infrastructure ¹	155	1.48
650	M&G	2	0.02
41,000	Melrose Industries	98	0.94
650	Prudential	9	0.09
11,000	RELX	210	2.01
225	Rio Tinto	10	0.10
10,920	Royal Dutch Shell 'B'	245	2.34
46,500	Syncona ¹	102	0.97
80,000	The Charities Property ¹	101	0.96
303,407	The Property Income Trust For Charities ¹	262	2.50
	TOTAL UNITED KINGDOM	1,575	15.05
	CONTINENTAL EUROPE – 11.00%		
60,988	3i Infrastructure ¹	179	1.71
4,825	Koninklijke Philips	178	1.70
1,375	Linde	222	2.12

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2019

Holding	Portfolio of Investments	Value £'000	31.12.19 %
5,655	Novo Nordisk 'B'	249	2.38
13,300	Orange	148	1.41
169,160	Starwood European Real Estate Finance ¹	176	1.68
	TOTAL CONTINENTAL EUROPE	1,152	11.00
	JAPAN – 10.72%		
6,900	Asahi	239	2.28
2,800	East Japan Railway	192	1.83
8,600	Hitachi	276	2.64
8,900	KDDI	201	1.92
800	Keyence	214	2.05
	TOTAL JAPAN	1,122	10.72
	ASIA PACIFIC (EXCL JAPAN) – 4.57%		
46,500	Samsonite International	84	0.80
240	Samsung Electronics GDRs	216	2.06
267	Waverton Southeast Asian ^{1,2}	179	1.71
	TOTAL ASIA PACIFIC (EXCL JAPAN)	479	4.57
	NORTH AMERICA – 29.87%		
153	Amazon.com	213	2.03
2,455	American Express	231	2.21
815	American Tower	141	1.35
910	Apple	202	1.93
5,600	AT&T	165	1.58
1,090	Becton Dickinson	224	2.14
1,850	Chevron	168	1.60
1,320	Home Depot	217	2.07
350	Illumina	88	0.84
935	Intuit	185	1.77
2,196	JPMorgan Chase & Co.	231	2.21
1,800	Marsh & McLennan	151	1.44
2,343	Microsoft	278	2.66

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 December 2019

Holding	Portfolio of Investments	Value £'000	31.12.19 %
1,655	Salesforce.com	203	1.94
1,820	Union Pacific	248	2.37
1,280	Visa	181	1.73
	TOTAL NORTH AMERICA	3,126	29.87
	NEW ZEALAND – 0.92%		
2,250	Xero	96	0.92
	GLOBAL – 2.42%		
385	Gold Bullion Securities ¹	41	0.39
1,900	Invesco Physical Gold ETC ¹	212	2.03
	TOTAL GLOBAL	253	2.42
	Portfolio of investments	9,950	95.06
	Net other assets	517	4.94
	Net assets	10,467	100.00

No comparative figures are presented for the Portfolio Statement as this is the Trust's first reporting period; the Trust launched on 28 May 2019.

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

¹ Collective investment scheme.

² Related party holding (see note 11).

Definition:

GDRs – Global Depositary Receipts.

LF WAVERTON CHARITY GROWTH & INCOME FUND

MANAGER'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the period from 28 May 2019 to 31 December 2019

Total purchases for the period £'000 (note 15)	6,372	Total sales for the period £'000 (note 15)	1,267
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
UK Treasury 2% 22/7/2020	768	Novartis	194
Waverton Sterling Bond	336	Biogen	172
The Property Income Trust For Charities	251	Emerson Electric	147
Hitachi	250	UK Treasury 2% 22/7/2020	141
Waverton Global Strategic Bond	249	Showa Denko	131
Asahi	243	EOG Resources	129
American Express	233	Visa	63
RELX	209	US Treasury 2.75% 15/8/2047	46
AstraZeneca	182	Prudential	44
Waverton Southeast Asian	178	Koninklijke Philips	40

In addition to the above, purchases and sales totalling £150,000 and £150,000 were made in short term investments during the period.

In-specie transfers totalling £4,650,000 were made into the Trust.

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

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the period from 28 May 2019 to 31 December 2019

	Notes	£'000	31.12.19 ¹ £'000
Income:			
Net capital gains	3		199
Revenue	4	90	
Expenses	5	(41)	
Net revenue before taxation		49	
Taxation	6	(5)	
Net revenue after taxation			44
Total return before distributions			243
Distributions	7		(85)
Change in net assets attributable to unitholders from investment activities			158

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the period from 28 May 2019 to 31 December 2019

	£'000	31.12.19 ¹ £'000
Opening net assets attributable to unitholders		–
Amounts receivable on issue of units	4,867	
In-specie transfer	5,675	
Amounts payable on redemption of units	(241)	
		10,301
Change in net assets attributable to unitholders from investment activities		158
Retained distributions on Accumulation units		8
Closing net assets attributable to unitholders		10,467

¹ No comparative figures are presented for the Statement of Total Return and the Statement of Change in Net Assets Attributable to Unitholders as this is the Trust's first reporting period; the Trust launched on 28 May 2019.

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 December 2019

	Notes	31.12.19 ¹ £'000
ASSETS		
Fixed assets		
Investments		9,950
Current assets		
Debtors	8	21
Cash and bank balances	9	560
Total assets		<u>10,531</u>
LIABILITIES		
Creditors		
Distribution payable	10	(46)
Other creditors	10	(18)
Total liabilities		<u>(64)</u>
Net assets attributable to unitholders		<u>10,467</u>

¹ No comparative figures are presented for the Balance Sheet as this is the Trust's first reporting period; the Trust launched on 28 May 2019.

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the period from 28 May 2019 to 31 December 2019

1. Accounting Policies

The principal accounting policies, which have been applied to the current period, are set out below.

(A) BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared in accordance with Statement of Recommended Practice (Accounting and Reporting by Charities) issued by the Charity Commission for England and Wales in July 2014 and the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014, as amended.

These financial statements are prepared on a going concern basis. The Manager has made an assessment of the Trust's ability to continue as a going concern, and is satisfied it has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made as at the date of issue of these financial statements and considers liquidity, declines in global capital markets, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19.

(B) RECOGNITION OF REVENUE

Dividends on quoted equities are recognised when the securities are quoted ex-dividend.

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

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

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

Rebates of annual management charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue or capital in line with the allocation of the annual management charge between capital and revenue distribution policies of the underlying investments.

Interest on bank and other cash deposits is recognised on an accruals basis.

Revenue is recognised gross of any withholding taxes but excludes attributable tax credits.

(C) TREATMENT OF EXPENSES

All expenses, except for those relating to the purchase and sale of investments, are charged initially against revenue.

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

(D) ALLOCATION OF REVENUE AND EXPENSES TO MULTIPLE UNIT CLASSES

Any revenue or expense not directly attributable to a particular unit class will normally be allocated pro-rata to the net assets of the relevant unit classes unless a different allocation method is deemed more appropriate by the Manager.

All unit classes are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

(E) TAXATION

The Trust is recognised by HMRC as a charity for UK tax purposes. As a charity, the Trust should not be subject to UK tax on gains (provided such gains are applied exclusively for charitable purposes) or income from investments (provided such income is applied exclusively to charitable purposes). As a charity, the Trust is exempt from UK Stamp Duty.

(F) BASIS OF VALUATION OF INVESTMENTS

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

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

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

(G) EXCHANGE RATES

The base and functional currency of the Trust is pounds sterling. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the exchange rate prevailing at close of business on the last business day of the financial year.

(H) DILUTION ADJUSTMENT

The Manager may require a dilution adjustment on the purchase and redemption of units if, in its opinion, the existing unitholders (for purchases) or remaining unitholders (for redemptions) might otherwise be adversely affected. For example, the dilution adjustment may be charged in the following circumstances: where the Trust is expanding or contracting, where the Trust is experiencing a large net subscription position or a large net redemption position relative to its size on any dealing day, in any other case where the Manager is of the opinion that the interest of unitholders requires the imposition of a dilution adjustment.

(I) PORTFOLIO TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Debt security investments have no separately identifiable transaction costs as they form part of the dealing spread. Indirect transaction costs may be incurred on transactions in underlying schemes but these do not form part of the direct transaction costs

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

disclosures. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.

2. Distribution Policies

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

The Manager and Trustee may establish an Income Reserve Account in respect of the Trust.

The Manager may transfer to the Income Reserve Account up to 15% of the surplus revenue after expenses and taxation for distribution on an annual income allocation date. Any interest or other amounts earned on the revenue in the Income Reserve Account must be treated as revenue due to the Trust.

Any revenue retained in the Income Reserve Account remains part of the revenue property of the relevant Trust but is not available for allocation or distribution.

All expenses are transferred to capital for distribution purposes in line with the Trust's investment objective. This will increase the amount of revenue available for distribution; however, will erode capital and may constrain capital growth.

Interim distributions may be made at the Manager's discretion and the balance of revenue is distributed in accordance with the COLL Sourcebook.

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Trust. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

3. Net Capital Gains

The net capital gains during the period comprise:

	From 28.05.19 to 31.12.19 £'000
Non-derivative securities	198
Transaction charges	(1)
AMC rebates from underlying investments	3
Currency losses	(1)
Net capital gains	199

The net capital gains figure includes realised losses of £14,000 and unrealised gains of £211,000.

4. Revenue

	From 28.05.19 to 31.12.19 £'000
Non-taxable dividends	63
Taxable dividends	22
Interest on debt securities	4
Bank interest	1
Total revenue	90

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

5. Expenses

From 28.05.19
to 31.12.19
£'000

Payable to the Manager, associates of the
Manager and agents of either of them:

Annual Management Charge

27

Refund of expenses

(7)

Legal and professional fees

3

Typesetting costs

2

Registration fees

2

27

Payable to the Trustee, associates of the
Trustee or agents of either of them:

Trustee's fees

5

Safe custody and other bank charges

1

6

Other expenses:

Audit fees

8

Total expenses

41

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

6. Taxation

From 28.05.19
to 31.12.19
£'000

Analysis of charge for the period

Overseas tax

5

Current tax charge

5

As a charity, the Trust is not subject to UK tax.

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

7. Distributions

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

	From 28.05.19 to 31.12.19 £'000
First Interim	8
Second Interim	37
Final	49
	<hr/> 94
Add: Revenue deducted on redemption of units	1
Deduct: Revenue received on issue of units	(10)
Net distributions for the period	<hr/> 85

Details of the distributions per unit are set out in the table on pages 41 and 42.

	From 28.05.19 to 31.12.19 £'000
Distributions represented by:	
Net revenue after taxation	44
Allocations to capital:	
Expenses	41
Net distributions for the period	<hr/> 85

8. Debtors

	31.12.19 £'000
Accrued revenue:	
Non-taxable dividends	5
Interest from debt securities	9
AMC rebates from underlying investments	2
	<hr/> 16

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

31.12.19
£'000

Amounts due from the Portfolio Manager:

Refund of expenses

5

Total debtors

21

9. Cash and Bank Balances

31.12.19
£'000

Bank balances

560

Total cash and bank balances

560

10. Creditors

31.12.19
£'000

Distribution payable

46

Other Creditors

Accrued expenses:

Amounts payable to the Manager, associates of
the Manager and agents of either of them:

Annual Management Charge, net of rebate

5

Typesetting costs

2

7

Amounts payable to the Trustee, associates of
the Trustee and agents of either of them:

Trustee's fees

1

Other expenses

10

Total other creditors

18

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

11. Related Party Transactions

The Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the Manager'), registration fees payable to Link Fund Administrators Limited and typesetting costs payable to Link Alternative Trust Administrators Limited (both companies are associates of the Manager) are disclosed in note 5 and amounts due at the period end are disclosed in note 10.

The aggregate monies received by the Manager through the issue of units and paid on redemption of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders on page 25 and were no amounts outstanding at the period end.

As part of the investment strategy, the Trust may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager, or for which Link Fund Solutions is also the Manager. At the balance sheet date the value of the holdings was as follows:

	31.12.19 £'000
Portfolio Manager in common	1,385

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

Roy Nominees Limited	100%
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12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments during the period.

13. Units in Issue

	Retail Income	Retail Accumulation
Annual Management Charge	0.60%	0.60%
Opening units in issue	—	—
Issues	9,671,171	647,699
Redemptions	(233,207)	—
Closing units in issue	9,437,964	647,699

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

14. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) and investment purposes.

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

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

(A) CREDIT RISK

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

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

The bond investments held are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The Manager monitors the credit rating of bond holdings. All bonds in which the Trust invests are investment grade securities or government securities which are lower risk.

(B) INTEREST RATE RISK

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

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

The Trust takes on interest rate risk within its investment portfolio where the Manager and Portfolio Manager believe that the expected return compensates for the overall risk. The Manager and Portfolio Manager continue to monitor the level of interest rate risk posed by the Trust's underlying investments on a regular basis.

The table below shows the interest rate risk profile:

	31.12.19 £'000
Floating rate investments	1,206
Fixed rate investments	941
Investments on which interest is not paid	7,803
Total investments	9,950

The floating rate investments comprise of collective investment schemes that pay UK interest distributions.

Investments on which interest is not paid include equities and collective investment schemes.

(C) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the Sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than Sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the Sterling equivalent value. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Trust invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge the risk.

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

The table below shows the direct foreign currency risk profile:

	31.12.19 £'000
Currency:	
Australian dollars	96
Danish krone	249
Euros	548
Hong Kong dollars	84
Japanese yen	1,124
US dollars	3,943
	<hr/> 6,044
Pounds sterling	4,423
Net assets	<hr/> 10,467

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £302,000 on the net assets of the Trust.

(D) LEVERAGE

The Manager is required to calculate and monitor the level of leverage of the Trust, expressed as a ratio between the exposure of the Trust and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31 December 2019 leverage under the gross method was 0.95:1 and leverage under the commitment method was 1:1.

(E) LIQUIDITY RISK

The main liability of the Trust is the redemption of any units that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation.

The Manager monitors the liquidity profile of the Trust on a daily basis. In assessing the liquidity profile of the Trust, the Manager assesses how much of the Trust can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile. In assessing the liquidity of a company's shares, the Manager utilises the lower of the 6 and 12 month average market

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

volume of that company's shares. Where a risk is identified then a more in depth review is undertaken to establish its significance, by assessing the liquidity profile of the Trust against a 25% market participation of the average daily volume. Based on this analysis 96.49% of the portfolio can be liquidated within 5 days and 96.49% within 30 days. Given this and the Manager's understanding of the investor base, it is considered that the liquidity profile of the Trust is appropriate.

All financial liabilities are payable in one year or less, or on demand.

(F) MARKET PRICE RISK

Market price risk is the risk that the value of the Trust's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Trust holds.

Market price risk represents the potential loss the Trust may suffer through holding market positions in the face of price movements. The Trust's investment portfolio is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Trust's portfolio would have the effect of increasing the return and net assets by £498,000. A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

There were no derivatives held by the Trust during the current period.

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

15. Portfolio Transaction Costs

31.12.19	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	4,030	2	3	4,035
Collective investment schemes	1,559	–	–	1,559
Debt securities	778	–	–	778
Purchases total	6,367	2	3	6,372
<i>Transaction cost % of purchases total</i>		0.03%	0.05%	
<i>Transaction cost % of average NAV</i>		0.03%	0.04%	
Ordinary shares	1,075	–	–	1,075
Collective investment schemes	5	–	–	5
Debt securities	187	–	–	187
Sales total	1,267	–	–	1,267
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.12.19 is 0.18%.

16. Fair Value Hierarchy

Investments are categorised into the following levels based on their fair value measurement:

Level 1: Unadjusted quoted price in an active market for an identical instrument;

Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1;

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.12.19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	8,181	1,769	–	9,950

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 28 May 2019 to 31 December 2019

17. Subsequent Events

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak a pandemic. As a result, global markets have experienced a period of volatility which has impacted the performance of the Trust since the balance sheet date. The length of time the volatility remains will largely depend on the scale and duration of the outbreak. The spread and impact of COVID-19 is considered as a non-adjusting event after the reporting period.

From the balance sheet date to 31 May 2020, the Trust's target benchmark has moved by 1.18%. The price of each of the Trust's unit classes has moved as follows:

Unit class	Balance Sheet Date	05.06.20	Movement
Retail Income	104.41	105.10	0.66%
Retail Accumulation	105.12	106.97	1.76%

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the period from 28 May 2019 to 31 December 2019 – in pence per unit

EQUALISATION

Equalisation applies only to units purchased during the distribution period (Group 2 units – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the units for Capital Gains Tax purposes.

Group 2	First Interim	Second Interim	Final
From	28.05.19	01.07.19	01.10.19
To	30.06.19	30.09.19	31.12.19

RETAIL INCOME UNITS

First Interim	Net Revenue	Equalisation	Paid 31.08.19
Group 1	0.2288	–	0.2288
Group 2	0.2031	0.0257	0.2288

Second Interim	Net Revenue	Equalisation	Paid 30.11.19
Group 1	0.4695	–	0.4695
Group 2	0.4357	0.0338	0.4695

Final	Net Revenue	Equalisation	Payable 28.02.20
Group 1	0.4860	–	0.4860
Group 2	0.1357	0.3503	0.4860

RETAIL ACCUMULATION UNITS

First Interim	Net Revenue	Equalisation	Allocated 31.08.19
Group 1	0.2308	–	0.2308
Group 2	0.2014	0.0294	0.2308

LF WAVERTON CHARITY GROWTH & INCOME FUND

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

Second Interim	Net Revenue	Equalisation	Allocated 30.11.19
Group 1	0.4727	–	0.4727
Group 2	0.4727	0.0000	0.4727
Final	Net Revenue	Equalisation	Allocation 28.02.20
Group 1	0.4890	–	0.4890
Group 2	0.4890	0.0000	0.4890

No comparatives have been shown as the Trust launched on 28 May 2019.

GENERAL INFORMATION

Structure of LF Waverton Charity Fund

The Trust is structured as an umbrella fund, in that different sub-funds may be established from time to time by the Manager with the approval of the FCA.

On the introduction of any new sub-fund or class, a revised Prospectus will be prepared setting out the relevant details of each sub-fund or class.

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

LF Waverton Charity Growth & Income Fund

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

Valuation Point

The current valuation point of the Trust is 12.00 noon (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

Buying and Selling Units

The Manager will accept orders to buy or sell units on normal business days between 8.30am and 5.30pm (London time) and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell units may be either in writing to: PO Box 389, Darlington DL1 9UF or by telephone on 0345 922 0044.

Prices

The prices of all units are published on every dealing day on the website of the Manager: www.linkfundsolutions.co.uk and may also be obtained by calling 0345 922 0044 during the Manager's normal business hours.

Other Information

The Trust Deed, Prospectus and Key Investor Information Document may be inspected at the office of the Manager which is also the Head Office. Copies of these may be obtained upon application and, excepting the Trust Deed, can be found on the Manager's website, www.linkfundsolutions.co.uk. Unitholders who have any complaints about the operation of the Trust should contact the Manager or the Trustee in the first instance. In the event that a unitholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

Data Protection Act

Unitholders' names will be added to a mailing list which may be used by the Manager its associates or third parties to inform investors of other products by sending details of such products. Unitholders who do not want to receive such details should write to the Manager requesting their removal from any such mailing list.



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