



# **Slater Investments Limited**

Slater Recovery Fund

Annual Report

For the year ended 30<sup>th</sup> November 2019

## **SLATER RECOVERY FUND**

### **DIRECTORY**

#### **Registered Office**

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

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

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

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

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

Investor Support: (0203) 893 1001

#### **Custodian**

RBC Investor Services Trust\*\*  
Riverbank House  
2 Swan Lane  
London  
EC4R 3BF

#### **Trustee**

NatWest Trustee and Depositary Services Limited\*  
250 Bishopsgate  
London  
EC2M 4AA

#### **Auditor**

Roffe Swayne Chartered Accountants and Tax Advisors  
Ashcombe Court  
Woolsack Way  
Godalming  
Surrey  
GU7 1LQ

\* Authorised and regulated by the Financial Conduct Authority.

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

## SLATER RECOVERY FUND

CONTENTS	PAGE
AUTHORISED STATUS AND GENERAL INFORMATION	1
DIRECTORS' STATEMENT	2
STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES	2
TRUSTEE'S REPORT	3
INDEPENDENT AUDITOR'S REPORT	4
FUND MANAGER'S REPORT	6
FUND INFORMATION	
Comparative tables	11
Synthetic risk and reward indicator	12
Portfolio statement	13
ANNUAL FINANCIAL STATEMENTS	
Statement of total return	16
Statement of changes in net assets attributable to unitholders	16
Balance sheet	17
Notes to the annual financial statements	18

## **SLATER RECOVERY FUND**

### **AUTHORISED STATUS AND GENERAL INFORMATION**

#### **Authorised status**

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

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

#### **Investment objective and strategy**

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

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

#### **Change in Prospectus**

A letter was sent to investors on 1 April 2019, notifying them of changes to the Fund, which became effective on 3 June 2019. These changes include introducing a Dilution Adjustment Policy and removing the Initial Charge. From 3 June 2019 the Fund will also no longer be dual priced, but priced on a single basis.

Up to date key investor information documents, the full Prospectus and accounts for the Fund can be requested by the investor at any time, alternatively they are accessible on our website at [www.slaterinvestments.com](http://www.slaterinvestments.com).

#### **Value for Money Assessment**

From March 2020, unitholders as well as other interested parties may view the Authorised Fund Manager’s Value for Money Assessment Report in relation to the Fund at [www.slaterinvestments.com](http://www.slaterinvestments.com).

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

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

#### **Remuneration Policy**

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

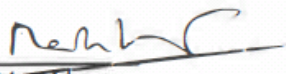
The fixed remuneration paid by the Authorised Fund Manager to its staff in respect of all funds that it manages in the financial year ended 31 December 2018 was £1,001,526 and was shared amongst 14 members of staff. The financial year of Slater Recovery Fund ran from 1 December 2018 to 30 November 2019, whereas the financial year of Slater Investments Limited runs from 1 January to 31 December. The above figures are taken from the financial report and accounts of Slater Investments Limited for the period 1 January 2018 to 31 December 2018. The financial statements of Slater Investments Limited have been independently audited.

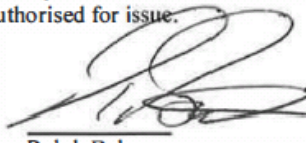
All 14 Authorised Fund Manager staff members were fully or partially involved in the activities of the Fund. The variable remuneration paid by the Authorised Fund Manager to its staff in respect of all funds that it manages in the financial year ended 31 December 2018 was £658,211. The Authorised Fund Manager staff remuneration is established with reference to the market remuneration of each equivalent position and is not linked to the performance of the Fund or any other fund of the Authorised Fund Manager. None of the Authorised Fund Manager’s staff actions had a material impact on the risk profile of the Fund.

## SLATER RECOVERY FUND

### DIRECTORS' STATEMENT

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

  
Mark Slater  
Director

  
Ralph Baber  
Director

SLATER INVESTMENTS LIMITED  
Date: 30 January 2020

### STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

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

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

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

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

## SLATER RECOVERY FUND

### STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES AND REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF SLATER RECOVERY FUND ('THE SCHEME') FOR THE YEAR ENDED 30 NOVEMBER 2019

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

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

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

The Trustee must ensure that:

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

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

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

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

Yours



PP Kevin Woodcock  
Compliance Audit Manager  
Trustee & Depositary Services

Date: 30 January 2020

## **SLATER RECOVERY FUND**

### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE SLATER RECOVERY FUND**

#### **Opinion**

We have audited the financial statements of the Slater Recovery Fund (the 'fund') for the year ended 30 November 2019 which comprise the statement of total return, the statement of changes in net assets attributable to unitholders, the balance sheet and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019, and of its net revenue and net capital gains or losses on the fund property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

- the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

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

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

We have nothing to report in this regard.

## SLATER RECOVERY FUND

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE SLATER RECOVERY FUND (CONTINUED)

#### 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:

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

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

In the light of our knowledge and understanding of the fund and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the Authorised Fund Manager.

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

- adequate accounting records have not been kept
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

#### Responsibilities of Authorised Fund Manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 2, the Authorised Fund Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Authorised Fund Manager 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 Fund Manager is responsible for assessing the 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 the Authorised Fund Manager either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

#### Use of our report

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



Roffe Swayne Chartered Accountants and Tax Advisors  
Ashcombe Court  
Woolsack Way  
Godalming  
Surrey GU7 1LQ  
Date: 30/01/2020



## SLATER RECOVERY FUND

### FUND MANAGER'S REPORT

#### Report for the year to 30 November 2019

<u>Performance</u>	Six Months	1 year	3 years	5 years	Since launch*
Slater Recovery Fund P unit class	+5.18%	+17.93%	+56.28%	+73.55%	+454.08%
Investment Association (IA) OE UK All Companies	+6.90%	+12.43%	+24.10%	+38.43%	+305.99%

\* A unit class launched 10 March 2003

Bid prices of some small to mid-cap stocks in the Fund were marked down quite sharply in December 2018 as global equities came under renewed pressure. However, these stocks rebounded strongly during the first few trading days of January 2019, in no small part owing to the Federal Reserve signalling that it would take a more pragmatic view and slow down future rate rises.

Following the rebound, the Fund had a satisfactory first calendar quarter in 2019. That well-known financial-world adage 'Sell in May and go away' did not apply this year as seasonal exuberance in the first calendar quarter continued into the second. However, a strong start in May 2019 then petered out in June 2019. Overlaying this were growing political anxieties in the shape of Brexit and in reaction sterling fell, which left domestically focused stocks in the doldrums. The Fund is, at least in part, cushioned from this by a good number of holdings that have material foreign earnings and benefit from structural growth.

The third calendar quarter was unusual in that two of our investments received takeover bids. Private equity and foreign buyers are snapping up United Kingdom (UK) quoted companies at a time when price earnings multiples are one third below United States (US) levels and sterling has been weaker.

We consider that the UK equity market continues to be materially undervalued on a number of measures compared with both other asset classes and other global indices as many global fund managers shun the UK. We expect this to throw up some excellent buying opportunities.

Post period end, the return of a pro-business government after the snap general election, which promises a speedier conclusion to Brexit, has already brought an enormous improvement in sentiment. A number of our UK domestically orientated stocks have already rallied.

The outstanding contributor during the period was specialist publisher and fast-growing media company **Future Group**. It rose +131% and contributed +6.62% as the share price benefitted from upgrades. The company has had a transformative year crowning this achievement with admission to the UK Mid Cap index. The company has greatly increased in scale mostly through focused acquisitions but also via double digit organic growth. Expansion in the US, where organic revenue growth was a stellar 40%, has been key to progress with the region now accounting for 54% of revenues, up from 31% in 2018. One of the keys to Future's success is its scalable media platform. Post the US acquisition of Purch in 2018, all Purch's key web sites, such as Tom's Guide, have been migrated to this proprietary technology platform, driving rapid top line growth through the monetisation of media assets in the form of e-commerce and digital advertising. The latest proposed acquisition (subject to regulatory approval) of TI Media, owner of titles such as Country Life, is a highly earnings enhancing deal. This brings new verticals in lifestyle, women's interest and sport, creating yet further opportunities to leverage the company's media platform. Post completion there will be 220 brands globally, the bulk of which will be monetised digitally. The acquisition of independent content creator Barcroft Studios helps to future-proof the business by adding specialist video production capability. The company expects full year results to be ahead of expectations.

**Entertainment One** succumbed to an agreed \$4 billion bid from toymaker Hasbro underpinning a share gain of +51% and +1.79% contribution. Hasbro is clearly interested in the Peppa Pig and PJ Masks franchises, with all their associated merchandise. The UK Competition and Markets Authority is considering whether the yet to be completed deal might result in a substantial lessening of competition. A deadline of 21 January 2020 has now been set for it to decide whether, or not, to refer the merger for an in-depth investigation.

## SLATER RECOVERY FUND

### FUND MANAGER'S REPORT (CONTINUED)

#### Report for the year to 30 November 2019

Veterinary chain **CVS Group** continued its startling recovery, contributing +1.58%. A warning in January 2019 took the shares down to 395p. They closed on 30 November 2019 at 1084p. The change of Chief Financial Officer (CFO) seems to have been pivotal to an improvement in fortunes. Under its previous 'command and control' approach the company had been instructing vets in detail on how to run their practices. One effect of this approach was a 12.5% vacancy rate, forcing the company to hire expensive locums. These temporary vets were also only half as productive in revenue terms as experienced vets, so the impact on profits was stark. Under its new CFO the approach has been to set budgets for each branch and then let the vets use their own judgement. The vacancy rate fell to 8.4% in the second half of the year to June 2019. CVS will not see a return to the heady growth of earlier years when it was able to buy practices at a big discount to its own share rating. This easy arbitrage has closed because of competition from private equity. Instead the company is focusing on operational improvements and organic growth. At the end of November 2019 the company confirmed that the improved trading performance continued in September and October 2019.

**IWG**, the global operator of leading co-working and workspace brands, contributed +1.54% after rising +76%. The company has embarked on a programme of franchising out its 3,300 centres around the world which has already unlocked substantial shareholder value, starting with the £320 million sale of its Japanese centres in April 2019. The high price being achieved is the main driver behind the rise in the share price. In August 2019 the company had announced the sale of its Taiwanese operations to a franchisee for £22.7 million. This may sound small potatoes but Chief Executive Officer (CEO) Mark Dixon said at his meeting with us that other deals, not on a national scale, are also happening but not being announced individually. Most recently in November 2019 the company confirmed its latest strategic deal to divest its interests in Switzerland for CHF120 million. The sale of the Swiss business on similar terms to the Taiwan sale demonstrates that the franchise strategy is gaining good momentum and, if sale prices are replicated, suggests that IWG is materially undervalued.

Clinical contract research and pharmaceutical services specialist **Ergomed** contributed +1.46% after the share rose +148%. Market forecasts were upgraded following interim results which confirmed strong year-to-date trading. Pleasingly, positive momentum has continued into the second half. Its Clinical Research Organisation (CRO) arm produced a better than expected performance with sales up 40%. Trading in the Pharmacovigilance business was also brisk with revenues ahead by 33%. The company has refocused exclusively on these two profitable, growing niches and is no longer distracted by drug development, which is behind the sharp improvement in profitability. Management says that there is potential for explosive growth on the CRO side. First, however, the company needs to scale up its CRO operational infrastructure in the US. The importance of the US is clear given that it accounts for 50% of the global clinical trials market. The company expressed an aspiration to accelerate its US market entry through acquisition.

**Liontrust Asset Management** rose +56% contributing +1.24%. Assets under management (AUM) stood at £14.6 billion at the time of the interims in September 2019. The acquisition of Neptune Investment Management added a further £2.7 billion which together with continuing strong positive net inflows resulted in AUM reaching £17.9 billion by mid-November 2019. There have been strong flows into the company's Sustainable offering where AUM has hit £4.6 billion. Liontrust's next big push will be into Europe. Currently only around 5% of its AUM is for European clients. The regulatory base is Luxembourg, so it is Brexit-ready. Neptune has already been completely rebranded and the 15 fund managers have been retained but most of the other staff have left as Liontrust streamlines the operation. Liontrust is one of the winners in the asset management space and a core holding. It is hard to fault this business, which has been adept at spotting popular trends in fund management and hiring the teams to profit from them.

## SLATER RECOVERY FUND

### FUND MANAGER'S REPORT (CONTINUED)

#### Report for the year to 30 November 2019

Games developer and publisher **Codemasters Group** delivered a very satisfying +0.77% contribution, powered by a +31% rise in the shares. The company produced a good set of interims helped by the earlier release of Formula One 2019 where sales leapt by 30%, a growing back catalogue, which now represents 25% of sales, and the introduction of microtransactions which extends the life cycle of games. Growing digital channel sales, up from 53.4% to 61.2% are also delivering a higher gross margin making the group more profitable. Looking forward, digital sales have the potential to reach 70% over the next couple of years driven by downloadable content, streaming and deluxe game versions. Its joint venture with NetEase could become a significant contributor in 2022 with the potential for the release of a blockbuster racing game in China. The share has already re-rated on the back of the clearance of a stock overhang (Indian-owned Reliance Big Entertainment has now sold its stake), the renewal of its Formula One licensing deal with Liberty International which substantially de-risks the investment proposition, and the acquisition of racing developer Slightly Mad Studios (SMS), which brings together two leading developers in the racing genre. SMS also broadens the list of global partners to include a Hollywood Studio with whom it has a deal to produce a series of games for a blockbuster film franchise. All-in-all, a great turnaround from last summer's disappointing launch of Onrush.

Multi-brand franchisor and owner of Metro Rod **Franchise Brands** contributed +0.77% after rising +44%. The company reported positive trading together with strong momentum. Year-to-date sales growth in its core drainage business has accelerated and is up 15% compared with just 6% in 2018. The number of Metro Rod franchise businesses and territories being purchased by ambitious new owners is also accelerating. The company is also seeing an improvement in franchise recruitment across its consumer brands where year-to-date it has recruited 54 new franchisees at ChipsAway, Ovensclean and Barking Mad. In what is a 'significantly earnings enhancing' deal, the company has acquired a leading water pump supply business. The transaction will benefit Metro Rod's national network of 400 drainage engineers enabling them to tender for pump services contracts increasing their total addressable market.

**Lok'nStore Group** rose +51% contributing +0.69%. The rise in the share price has been helped by an 11% rise in Net Asset Value per share to £5.33 and a 9% increase in the dividend. Also, there was an increase in margins to July 2019. Whilst these are important markers the new store pipeline has grown significantly and is the key metric driving the share. There are now eight Landmark stores in the pipeline and a further six more with lawyers. So, the current pipeline is up to 14 in total compared with the existing 33. Moreover, there has been a slight change in store selection criteria which is seeing a move out of the South East with new sites in the North and Midlands coming into play. Another factor driving profitability in this expansion phase is the mix of tenure. Over time, the proportion of leasehold sites has declined which reinforces the rising margin trend as do positive metrics on store occupancy and pricing. These factors all add up to a period of rising assets as new stores are revalued on hitting profits and this trend now appears to be an extended one. This stock still has a long way to go as a growth vehicle.

**Staffline Group**, the blue collar employment business, contributed a handy +0.67%. We took part in a £34 million rescue fundraising at 100p in June 2019 and were delighted to sell the holding at 180p in July 2019 in a single transaction.

**Safecharge International Group** contributed +0.64% after it accepted a \$889 million cash bid from Nuvei, a private Canadian company. The payment processing industry is one of scale and staying small is not an option. Safecharge was a very pleasing investment for the Fund.

**Charles Taylor** (+0.61% contribution), the insurance services group, received a private equity backed management buyout bid at 315p. We had been unhappy with the share price performance and engaged with the Chairman to find a buyer for the company. On 8 November 2019 the offer was increased to 345p and this was approved by shareholders. We closed the position at 350p and collected the 3.7p interim dividend. Although this has been a profitable investment we are not overly pleased with this outcome, especially with the Executive Directors so conflicted. The shares have laboured under the extreme complexity of the financial statements, made much worse by the presence of a small life assurance business on the balance sheet. Underlying cashflows have been hard to analyse as a result. We suspect Charles Taylor is about to see an acceleration of growth from its insurance technology business. The take-out multiple was only 13.6 times earnings and the dividend yield 3.6%.

## SLATER RECOVERY FUND

### FUND MANAGER'S REPORT (CONTINUED)

#### Report for the year to 30 November 2019

Document management and shredding specialist, **Restore** contributed +0.54% after gaining +15%. In November 2019 the company confirmed that trading was in line with expectations during the calendar third quarter. The core records management business continued its positive momentum with net box volume growth whilst the other businesses also performed satisfactorily. The company continues to see opportunities for selective mergers and acquisitions and during the quarter made three small acquisitions. Outside records management, there is ample headroom to grow given it only has 11% of its £1.8 billion end markets, particularly in the IT asset disposal end of life sector where it has a modest 3% share. Cross-selling, increasing market share, price increases, selective acquisitions and margin expansion from increased scale, property rationalisation, and more value-added services are the order of the day. The company has established its cash generative credentials by reducing net debt by £20 million in the 12 months to June 2019 and reducing leverage to 1.8x, which, judging by the positive share price action, has eased investor concerns.

**Hutchison China MediTech** (HCM) had its best ever news in the clinic in June 2019 with spectacular phase 3 results from Surufatinib, leading to the early ending of the trial because they were so strong. Despite this news, the shares have drifted down resulting in a -1.60% detraction. This divergent performance was due to the very poorly handled reduction in the stake of parent company Hutchison Health to 49.9%. The turbulence in Hong Kong was a further factor, causing float plans to be aborted. In late September 2019 HCM gave further details on the Surufatinib results. These showed 9.3 months of progression free survival versus 3.8 months in the placebo arm, though there were also more frequent complications in treated versus untreated patients. One broker's valuation assigned \$11 per ADR to Surufatinib as it is wholly owned and seems likely to command a very high royalty if HCM chooses to out-license it. The highlight from a further raft of positive news flow in October and November 2019 was that Elunate, HCM's anticancer drug for advanced colorectal cancer, will be eligible for reimbursement in China. The company is expected to become heavily profitable from 2023.

The Fund sold its positions in **Charles Taylor, Diversified Gas & Oil, First Derivatives, Hotel Chocolat Group, Matomy Media Group, On The Beach, Quiz, Safecharge International Group, Staffline Group, WYG** and **XLMedia**. A range of investments were reduced. These included **Future Group, River & Mercantile** and **Lok'nStore Group**.

The proceeds were reinvested in a range of existing holdings including **Applegreen, Charles Taylor** (which was sold post period), **Clinigen Group, Codemasters Group, Entertainment One, Ergomed, Franchise Brands, Gamesys Group, IWG, Restore** and **Randall & Quilter**. A number of new holdings were also established. These included **Arrow Global Group, Bonhill, CVS Group, Instem, Kape Technologies, Kin and Carta, Sports Direct International, Ten Entertainment, Tesco** and **The SimplyBiz Group**.

The Fund has performed solidly since inception and continues to offer the potential for capital appreciation. Our focus remains on the underlying operating performance of the businesses we own. With very few exceptions they are trading robustly. If they continue to deliver operationally then we confidently expect their share prices to appreciate meaningfully over the medium term.

Slater Investments Limited.  
30 January 2020

## SLATER RECOVERY FUND

### FUND MANAGER'S REPORT (CONTINUED)

#### Distributions (pence per unit)

	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>Class A Accumulation</u>				
Net income paid 31 January	-	-	-	0.6581
Net income paid 31 July		-	-	0.2666
<u>Class B Accumulation</u>				
Net income paid 31 January	0.4825	0.3467	0.2850	1.1041
Net income paid 31 July		0.1900	0.0268	0.7726
<u>Class P Accumulation</u>				
Net income paid 31 January	0.8477	0.7029	0.5727	1.3306
Net income paid 31 July		0.4904	0.4524	1.0323

#### Material portfolio changes

For the year ended 30 November 2019

<b>Major Purchases</b>	<b>Cost (£)</b>	<b>Major Sales</b>	<b>Proceeds (£)</b>
Tesco	1,148,831	Future Group	1,104,014
Diversified Gas & Oil	1,019,977	Diversified Gas & Oil	960,478
Codemasters Group	885,580	Charles Taylor	800,411
Clinigen Group	783,388	Safecharge International Group	772,796
Ten Entertainment	576,126	Staffline Group	758,891
IWG	570,291	Lok'nStore Group	745,542
Gamesys Group (formerly JPJ)	530,308	On the Beach	710,607
CVS Group	520,428	Hotel Chocolat Group	481,519
Instem	504,495	First Derivatives	424,118
Bonhill Group	456,301	WYG	327,800
Staffline Group	422,240	Hutchison China MediTech	128,637
Arrow Global Group	367,371	XLMedia	86,502
Kape Technologies	365,138	Quiz	68,963
Randall & Quilter	364,542	Randall & Quilter	62,452
The Simplybiz Group	358,859	Matomy Media Group	35,690
Applegreen	298,284	River & Mercantile	9,994
Kin and Carta	254,921		
Sports Direct International	207,839		
Franchise Brands	183,302		
Entertainment One	128,363		
Restore	92,890		
Charles Taylor	78,770		
Ergomed	68,102		
Hutchison China MediTech ADR	65,874		
Hutchison China MediTech	62,763		
<b>Total purchases for the year</b>	<b>10,314,983</b>	<b>Total sales for the year</b>	<b>7,478,414</b>

## SLATER RECOVERY FUND

### FUND INFORMATION

#### Comparative tables

<b>Class A accumulation units</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
<b>Change in net assets per unit</b>	<b>30.11.19</b>	<b>30.11.18</b>	<b>30.11.17</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	223.74	225.74	174.26
Return before operating charges*	43.93	1.81	54.74
Operating charges	(3.87)	(3.81)	(3.26)
Return after operating charges*	40.06	(2.00)	51.48
Gross distribution on accumulation units	-	-	(0.27)
Accumulation distributions reinvested	-	-	0.27
Closing net asset value per unit	263.80	223.74	225.74
*after direct transaction costs of	0.13	0.13	0.08
<b>Performance</b>			
Return after charges	17.91%	(0.89%)	29.54%
<b>Other information</b>			
Closing net asset value	£5,003,268	£10,920,375	£19,231,534
Closing number of units	1,896,593	4,880,966	8,519,150
Operating charges	1.63%	1.66%	1.60%
Direct transaction costs	0.05%	0.06%	0.04%
<b>Prices</b>			
Highest unit price	266.67p	243.71p	225.54p
Lowest unit price	210.22p	216.08p	174.64p
<b>Class B accumulation units</b>			
<b>Change in net assets per unit</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
	<b>30.11.19</b>	<b>30.11.18</b>	<b>30.11.17</b>
	<b>Pence</b>	<b>Pence</b>	<b>pence</b>
Opening net asset value per unit	230.66	231.36	177.69
Return before operating charges*	45.53	1.89	55.96
Operating charges	(2.61)	(2.59)	(2.29)
Return after operating charges*	42.92	(0.70)	53.67
Gross distribution on accumulation units	(0.67)	(0.37)	(1.06)
Accumulation distributions reinvested	0.67	0.37	1.06
Closing net asset value per unit	273.58	230.66	231.36
*after direct transaction costs of	0.13	0.13	0.08
<b>Performance</b>			
Return after charges	18.61%	(0.30%)	30.21%
<b>Other information</b>			
Closing net asset value	£3,212,988	£2,905,032	£4,561,477
Closing number of units	1,174,444	1,259,477	1,971,564
Operating charges	1.05%	1.09%	1.10%
Direct transaction costs	0.05%	0.06%	0.04%
<b>Prices</b>			
Highest unit price	276.48p	250.31p	231.14p
Lowest unit price	216.82p	222.07p	178.08p

## SLATER RECOVERY FUND

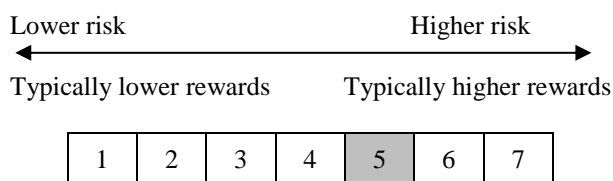
### FUND INFORMATION (CONTINUED)

#### Comparative tables (continued)

<b>Class P accumulation units</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
<b>Change in net assets per unit</b>	<b>30.11.19</b>	<b>30.11.18</b>	<b>30.11.17</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	234.21	235.21	179.59
Return before operating charges*	46.12	0.91	57.40
Operating charges	(2.00)	(1.91)	(1.78)
Return after operating charges*	44.12	(1.00)	55.62
Gross distribution on accumulation units	(1.34)	(1.16)	(1.60)
Accumulation distributions reinvested	1.34	1.16	1.60
Closing net asset value per unit	278.33	234.21	235.21
*after direct transaction costs of	0.13	0.13	0.08
<b>Performance</b>			
Return after charges	18.84%	(0.43%)	30.97%
<b>Other information</b>			
Closing net asset value	£54,266,852	£36,459,648	£16,388,240
Closing number of units	19,497,631	15,567,368	6,967,591
Operating charges	0.79%	0.78%	0.84%
Direct transaction costs	0.05%	0.05%	0.04%
<b>Prices</b>			
Highest unit price	281.27p	257.61p	234.82p
Lowest unit price	220.36p	228.42p	179.98p

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

#### Synthetic risk and reward indicator



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

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

## SLATER RECOVERY FUND

### FUND INFORMATION (CONTINUED)

#### Portfolio statement

as at 30 November 2019

Holding or nominal value		Bid value £	Percentage of total net assets	
			30 Nov'19 %	30 Nov'18 %
<b>APPAREL RETAILERS</b>				
	Total Apparel Retailers	-	-	0.23
<b>CONSTRUCTION &amp; MATERIALS</b>				
975,611	SigmaRoc	440,976	0.71	
	Total Construction & Materials	440,976	0.71	0.72
<b>CONSUMER SERVICES</b>				
100,000	Applegreen	469,000	0.75	
1,120,959	Franchise Brands	1,233,055	1.97	
392,378	Goco Group (formerly Gocompare.com Group)	411,212	0.66	
85,200	IG Design Group	558,912	0.89	
188,745	Gamesys Group (formerly JPJ)	1,328,765	2.13	
270,000	Ten Entertainment	696,600	1.11	
	Total Consumer Services	4,697,544	7.51	4.67
<b>ELECTRICITY</b>				
406,092	Aggregated Micro Power	324,874	0.52	
	Total Electricity	324,874	0.52	0.81
<b>FINANCIAL SERVICES</b>				
353,200	AFH Financial Group	1,101,984	1.76	
167,988	Arrow Global Group	348,743	0.56	
135,000	City of London Investment Group	557,550	0.89	
293,370	JTC	1,026,795	1.64	
170,000	Liontrust Asset Management	1,604,800	2.57	
664,386	Randall & Quilter	1,242,402	1.99	
9,878	River & Mercantile	22,719	0.04	
199,366	The Simplybiz Group	418,669	0.67	
	Total Financial Services	6,323,662	10.12	9.91
<b>FOOD PRODUCERS</b>				
	Total Food Producers	-	-	0.86
<b>GENERAL RETAILERS</b>				
121,087	CVS Group	1,311,372	2.10	
68,918	Sports Direct International	232,254	0.37	
475,000	Tesco	1,089,650	1.74	
	Total General Retailers	2,633,276	4.21	-



## SLATER RECOVERY FUND

### FUND INFORMATION (CONTINUED)

#### Portfolio statement (continued)

as at 30 November 2019

Holding or nominal value		Bid value £	Percentage of total net assets	
			30 Nov'19 %	30 Nov'18 %
<b>INDUSTRIAL ENGINEERING</b>				
510,000	Flowtech Fluidpower	571,200	0.91	
367,933	Trifast	634,684	1.02	
	Total Industrial Engineering	1,205,884	1.93	2.67
<b>INDUSTRIAL TRANSPORTATION</b>				
485,000	Avation	1,285,250	2.06	
80,000	Ocean Wilsons Holdings	728,000	1.17	
	Total Industrial Transportation	2,013,250	3.23	4.25
<b>MEDIA</b>				
543,216	Bonhill Group	200,990	0.32	
487,452	Entertainment One	2,710,233	4.34	
389,437	Future Group	5,148,357	8.24	
295,000	Next Fifteen Communications Group	1,392,400	2.23	
185,001	STV Group	712,254	1.14	
	Total Media	10,164,234	16.27	13.55
<b>OIL &amp; GAS PRODUCERS</b>				
1,100,000	Amerisur Resources	205,700	0.33	
	Total Oil & Gas Producers	205,700	0.33	0.28
<b>PHARMACEUTICALS &amp; BIOTECHNOLOGY</b>				
2,385,000	Alliance Pharma	1,862,685	2.98	
102,825	Clinigen Group	895,092	1.43	
330,000	Ergomed	1,240,800	1.99	
266,780	Hutchison China MediTech	976,415	1.56	
156,861	Instem	580,386	0.93	
822,870	Venture Life Group	246,861	0.40	
	Total Pharmaceuticals & Biotechnology	5,802,239	9.29	10.64
<b>REAL ESTATE INVESTMENT &amp; SERVICES</b>				
106,675	Lok'nStore Group	680,587	1.09	
	Total Real Estate Investment & Services	680,587	1.09	2.14

## SLATER RECOVERY FUND

### FUND INFORMATION (CONTINUED)

#### Portfolio statement (continued)

as at 30 November 2019

Holding or nominal value		Bid value £	Percentage of total net assets	
			30 Nov'19 %	30 Nov'18 %
<b>SOFTWARE &amp; COMPUTER SERVICES</b>				
757,930	Castleton Technology	553,289	0.89	
922,696	Codemasters Group	2,168,335	3.47	
1,387,595	DotDigital Group	1,248,836	2.00	
197,552	Iomart Group	700,322	1.12	
291,412	Kape Technologies	428,376	0.69	
283,955	Kin and Carta	266,350	0.43	
404,253	NCC Group	832,761	1.33	
211,982	Redcentric	201,383	0.32	
293,333	Smartspace Software	178,933	0.29	
	Total Software & Computer Services	6,578,585	10.54	9.89
<b>SUPPORT SERVICES</b>				
942,307	CentralNic Group	555,961	0.89	
499,156	IWG	2,039,551	3.26	
1,650,000	Sureserve	495,000	0.79	
222,813	Marlowe	980,377	1.57	
133,145	Mears Group	322,211	0.52	
355,365	Restore	1,581,373	2.52	
	Total Support Services	5,974,473	9.55	9.68
<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>				
147,500	CML Microsystems	457,250	0.73	
	Total Technology Hardware & Equipment	457,250	0.73	1.27
<b>TRAVEL &amp; LEISURE</b>				
616,000	Marston's	787,864	1.26	
	Total Travel & Leisure	787,864	1.26	2.75
<b>OVERSEAS SECURITIES</b>				
56,000	Hutchison China MediTech ADR	1,039,907	1.66	
	Total Overseas Securities	1,039,907	1.66	-
<b>UNQUOTED SECURITIES</b>				
1,653,028	Genagro	102,236	0.16	
	Total Unquoted Securities	102,236	0.16	0.09
	<b>Portfolio of investments</b>	49,432,541	79.11	74.41
	<b>Net current assets</b>	13,050,567	20.89	25.59
	<b>Net assets</b>	62,483,108	100.00	100.00

## SLATER RECOVERY FUND

### ANNUAL FINANCIAL STATEMENTS For the year ended 30 November 2019

#### Statement of total return

	Notes	30 November 2019		30 November 2018	
		£	£	£	£
<b>Income</b>					
Net capital gains/(losses)	4		9,176,442		(1,422,635)
Revenue	6	715,898		593,064	
Expenses	7	(520,883)		(499,447)	
Net revenue before taxation		<u>195,015</u>		<u>93,617</u>	
Taxation	8	<u>(1,845)</u>		<u>(1,102)</u>	
Net revenue after taxation			<u>193,170</u>		<u>92,515</u>
<b>Total return before distributions</b>			9,369,612		(1,330,120)
Distributions	9		(210,375)		(138,198)
<b>Change in net assets attributable to unitholders from investment activities</b>			<u>9,159,237</u>		<u>(1,468,318)</u>

#### Statement of changes in net assets attributable to unitholders

		30 November 2019		30 November 2018	
		£	£	£	£
<b>Opening net assets attributable to unitholders</b>			50,285,055		40,181,251
Amounts receivable on issue of units		10,569,098		14,629,017	
Amounts payable on cancellation of units		(7,821,120)		(3,252,240)	
Amounts receivable on unit class conversions		27,549		23,517	
Dilution adjustments		<u>14,169</u>		<u>-</u>	
			2,789,696		11,400,294
Change in net assets attributable to unitholders from investment activities			9,159,237		(1,468,318)
Retained distributions on accumulation units			249,120		171,828
<b>Closing net assets attributable to unitholders</b>			<u>62,483,108</u>		<u>50,285,055</u>

## SLATER RECOVERY FUND

### ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 November 2019

#### Balance sheet

	Notes	30 November 2019		30 November 2018	
		£	£	£	£
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			49,432,541		37,419,360
<b>Current Assets</b>					
Debtors	10	789,901		234,031	
Cash	11	<u>12,539,018</u>		<u>12,969,455</u>	
Total current assets			<u>13,328,919</u>		<u>13,203,486</u>
Total assets			<u>62,761,460</u>		<u>50,622,846</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Creditors	12	<u>278,352</u>		<u>337,791</u>	
Total liabilities			<u>278,352</u>		<u>337,791</u>
<b>Net assets attributable to unitholders</b>			<u><u>62,483,108</u></u>		<u><u>50,285,055</u></u>

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 November 2019

#### 1. ACCOUNTING POLICIES

##### a. Basis of preparation

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

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

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

##### b. Going concern

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

##### c. Revenue

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

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

##### d. Expenses

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

##### e. Taxation

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

###### Current tax

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

###### Deferred tax

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

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

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### f. Valuation of investments

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

##### g. Foreign exchange

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

##### h. Cash

Cash includes deposits held on call with banks.

##### i. Financial assets

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

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

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

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

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

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

##### j. Financial liabilities

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

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

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

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

## **SLATER RECOVERY FUND**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 November 2019**

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **k. Dilution adjustments**

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

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

#### **2. DISTRIBUTION POLICIES**

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

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

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

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

##### **c. Equalisation**

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

#### **3. RISK MANAGEMENT POLICIES**

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

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

## **SLATER RECOVERY FUND**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 November 2019**

#### **3. RISK MANAGEMENT POLICIES (CONTINUED)**

##### **Market price risk**

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

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

##### **Foreign currency risk**

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

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

##### **Credit risk**

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

##### **Interest rate risk**

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

##### **Liquidity risk**

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



## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 4. NET CAPITAL GAINS/(LOSSES)

	30 November 2019 £	30 November 2018 £
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities	9,170,610	(1,423,649)
Currency gains	7,240	6,239
Transaction charges	(1,408)	(5,225)
<b>Net capital gains/(losses)</b>	<u>9,176,442</u>	<u>(1,422,635)</u>

#### 5. PURCHASES, SALES AND TRANSACTION COSTS

	30 November 2019 £	30 November 2018 £
Purchases excluding transaction costs	10,164,108	11,513,048
Corporate actions	128,637	71,250
	<u>10,292,745</u>	<u>11,584,298</u>
Commissions	7,467	5,609
Taxes and other charges	14,771	14,106
Total purchase transaction costs	<u>22,238</u>	<u>19,715</u>
<b>Purchases including transaction costs</b>	<u>10,314,983</u>	<u>11,604,013</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.07%	0.05%
Taxes and other charges	0.14%	0.12%

Sales excluding transaction costs	7,294,006	7,659,543
Corporate actions	191,089	38,442
	<u>7,485,095</u>	<u>7,697,985</u>
Commissions	(6,581)	(5,893)
Taxes and other charges	(100)	(114)
Total sale transaction costs	<u>(6,681)</u>	<u>(6,007)</u>
<b>Sales net of transaction costs</b>	<u>7,478,414</u>	<u>7,691,978</u>

Sales transaction costs expressed as a percentage of the principal amount:

Commissions	0.09%	0.08%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the weighted average net asset value over the year:

<u>0.05%</u>	<u>0.05%</u>
--------------	--------------

#### Transaction handling charges

These are total charges payable to the depositary in respect of each transaction.

<u>1,408</u>	<u>5,225</u>
--------------	--------------

#### Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>1.61%</u>	<u>2.29%</u>
--	--------------	--------------

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 6. REVENUE

	30 November 2019 £	30 November 2018 £
UK dividends	514,711	419,327
Overseas dividends	159,624	151,197
Bank interest	41,563	22,540
<b>Total revenue</b>	<u>715,898</u>	<u>593,064</u>

#### 7. EXPENSES

	30 November 2019 £	30 November 2018 £
Payable to the AFM or associates: AFM's periodic charge	<u>492,243</u>	<u>473,977</u>
	492,243	473,977
Payable to the trustee or associates: Trustee's fees Safe Custody fees	<u>3,998</u>	<u>3,734</u>
	19,449	16,884
	<u>23,447</u>	<u>20,618</u>
Other expenses: Financial Conduct Authority Fee Audit fee Other expenses	<u>226</u>	<u>79</u>
	4,920	4,860
	47	(87)
	<u>5,193</u>	<u>4,852</u>
<b>Total expenses</b>	<u>520,883</u>	<u>499,447</u>

#### 8. TAXATION

	30 November 2019 £	30 November 2018 £
Analysis of the tax charge for the year UK Corporation tax at 20% (2018: 20%) Overseas tax	<u>-</u>	<u>-</u>
	1,845	1,102
<b>Total tax charge</b>	<u>1,845</u>	<u>1,102</u>
Factors affecting the tax charge for the year Net revenue before taxation Corporation tax at 20% (2018: 20%)	<u>195,015</u>	<u>93,617</u>
	39,003	18,723
Effects of: Revenue not subject to taxation Unrelieved excess management expenses Overseas tax	<u>(134,867)</u>	<u>(114,105)</u>
	95,864	95,382
	1,845	1,102
<b>Current tax charge</b>	<u>1,845</u>	<u>1,102</u>

At 30 November 2019 the Fund has deferred tax assets of £1,639,150 (2018: £1,543,286) arising from surplus management expenses which have not been recognised due to uncertainty over the availability of future taxable profits.

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 9. DISTRIBUTIONS

	30 November 2019 £	30 November 2018 £
The distributions take account of revenue received or deducted on the issue of units and revenue deducted or received on the cancellation of units, and comprise:		
Interim - Income to May	78,169	58,039
Final - Income to November	170,950	113,789
Equalisation deducted/(added) on cancellation of units	5,166	(25,531)
Equalisation (added)/deducted on issue of units	(16,361)	15,418
Equalisation receivable on unit class conversions	(27,549)	(23,517)
<b>Distributions</b>	<u>210,375</u>	<u>138,198</u>
Distributions represented by:		
Net revenue after taxation	193,170	92,515
Add: Revenue deficit for the year - Class A unit class	17,284	48,879
Less: Post cut-off adjustments to income	-	(3,564)
Add: Other capital expenses	-	601
	<u>235</u>	<u>(468)</u>
Balance brought forward	(314)	235
	<u>210,375</u>	<u>138,198</u>

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

#### 10. DEBTORS

	30 November 2019 £	30 November 2018 £
Amounts receivable for issue of units	741,654	160,568
Accrued income	47,800	42,722
Securities sold receivable	290	27,407
Prepaid expenses	157	706
Taxation recoverable	-	2,628
<b>Total debtors</b>	<u>789,901</u>	<u>234,031</u>

#### 11. CASH

	30 November 2019 £	30 November 2018 £
Capital bank account	9,629,602	7,818,023
Revenue bank account	193,142	144,550
Deposit account	2,716,274	5,006,882
<b>Total cash</b>	<u>12,539,018</u>	<u>12,969,455</u>

#### 12. CREDITORS

	30 November 2019 £	30 November 2018 £
Securities purchased payable	224,580	-
Amounts payable for cancellation of units	46,287	327,976
Accrued expenses	7,485	9,815
<b>Total creditors</b>	<u>278,352</u>	<u>337,791</u>

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 13. RELATED PARTIES

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

Management fees paid to Slater Investments Limited for the year amounted to £492,243 (2018: £473,977). No amounts were due and payable at the year end to Slater Investments Limited (2018: £nil).

The aggregate monies received by the AFM through the issue of units and paid on cancellation of units are disclosed in the statement of changes in net assets attributable to unitholders. Amounts outstanding at year end for the issue of units is £741,654 (2018: £160,568), amounts payable at year end for units redeemed total £46,287 (2018: £327,976).

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

Investor	% Holdings	
	30 November 2019	30 November 2018
Proportion of class A units owned by Slater Investments Limited	-	1.49%
Proportion of class P units owned by Slater Investments Limited	0.36%	-
Proportion of class P units owned by Northglen Investments Limited	16.58%	20.77%
Proportion of class P units owned by directors beneficially and non-beneficially (2018: Class A and P units combined)	4.07%	3.60%

#### 14. UNITHOLDERS' FUNDS

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

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

Accumulation units	Class A	Class B	Class P
Opening units in issue at 1 December 2018	4,880,966	1,259,477	15,567,368
Units issued	136,718	180	3,973,516
Units cancelled	(518,964)	(85,125)	(2,514,910)
Unit conversions	(2,602,127)	(88)	2,471,657
Closing units in issue at 30 November 2019	1,896,593	1,174,444	19,497,631

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 15. RISK DISCLOSURES

##### Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and the net assets by £2,471,627 (2018: £1,870,968). A five per cent decrease would have an equal and opposite effect.

##### Foreign currency risk

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

Foreign currency exposure at 30 November 2019	<b>Investments (£)</b>	<b>Net current assets (£)</b>	<b>Total (£)</b>
Brazilian Real	-	-	-
United States Dollar	1,142,143	-	1,142,143
Foreign currency exposure at 30 November 2018	<b>Investments (£)</b>	<b>Net current assets (£)</b>	<b>Total (£)</b>
Brazilian Real	45,151	-	45,151
United States Dollar	-	-	-

##### Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the United States Dollar (2018: Brazilian Real) would have the effect of increasing the return and net assets of the Fund by £57,107 (2018: £2,258). A five per cent increase would have the equal and opposite effect.

##### Liquidity risk

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

	<b>30 November 2019</b>	<b>30 November 2018</b>
	<b>£</b>	<b>£</b>
Creditors		
Less than 1 year	278,352	337,791
<b>Total</b>	<b>278,352</b>	<b>337,791</b>

#### 16. FAIR VALUE DISCLOSURE

Fair value hierarchy as at 30 November 2019

Valuation technique	<b>30 November 2019</b>		<b>30 November 2018</b>	
	<b>Assets (£)</b>	<b>Liabilities (£)</b>	<b>Assets (£)</b>	<b>Liabilities (£)</b>
Level 1	49,330,305	-	37,374,209	-
Level 2	-	-	-	-
Level 3	102,236	-	45,151	-
	<u>49,432,541</u>	<u>-</u>	<u>37,419,360</u>	<u>-</u>

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

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 16. FAIR VALUE DISCLOSURE (CONTINUED)

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

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

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

Genagro is being priced based on the latest shareholder update from the company (2018: same).

#### 17. DISTRIBUTION TABLE

##### ACCUMULATION UNITS

For the period from 1 December 2018 to 31 May 2019

Group 1: units purchased prior to 1 December 2018

Group 2: units purchased on or after 1 December 2018

		Net revenue to 31-May-19 pence per unit	Equalisation to 31-May-19 pence per unit	Distribution paid 31-Jul-19 pence per unit	Distribution paid 31-Jul-18 pence per unit
<b>Class A</b>	Group 1	0.0000p	0.0000p	0.0000p	0.0000p
	Group 2	0.0000p	0.0000p	0.0000p	0.0000p
<b>Class B</b>	Group 1	0.1900p	0.0000p	0.1900p	0.0268p
	Group 2	0.1900p	0.0000p	0.1900p	0.0268p
<b>Class P</b>	Group 1	0.4904p	0.0000p	0.4904p	0.4524p
	Group 2	0.3423p	0.1481p	0.4904p	0.4524p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	93.08%	Unfranked	6.92%
---------	--------	-----------	-------

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

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

## SLATER RECOVERY FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2019

#### 17. DISTRIBUTION TABLE (CONTINUED)

##### ACCUMULATION UNITS

For the period from 1 June 2019 to 30 November 2019

Group 1: units purchased prior to 1 June 2019

Group 2: units purchased on or after 1 June 2019

		Net revenue to 30-Nov-19 pence per unit	Equalisation to 30-Nov-19 pence per unit	Distribution payable 31-Jan-20 pence per unit	Distribution paid 31-Jan-19 pence per unit
<b>Class A</b>	Group 1	0.0000p	0.0000p	0.0000p	0.0000p
	Group 2	0.0000p	0.0000p	0.0000p	0.0000p
<b>Class B</b>	Group 1	0.4825p	0.0000p	0.4825p	0.3467p
	Group 2	0.4825p	0.0000p	0.4825p	0.3467p
<b>Class P</b>	Group 1	0.8477p	0.0000p	0.8477p	0.7029p
	Group 2	0.8477p	0.0000p	0.8477p	0.7029p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	95.04%	Unfranked	4.96%
---------	--------	-----------	-------

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

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



**Slater Investments Limited**

Nicholas House

3 Laurence Pountney Hill

London

EC4R 0EU

Investor Relations: 020 7220 9460

Dealing: 0203 893 1001

Email: [lisa@slaterinvestments.com](mailto:lisa@slaterinvestments.com)

Website: [www.slaterinvestments.com](http://www.slaterinvestments.com)