



# Slater Investments Limited

Slater Growth Fund

Annual Report

For the year ended 31<sup>st</sup> December 2019

## SLATER GROWTH 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  
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#### **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 GROWTH FUND

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## SLATER GROWTH FUND

### AUTHORISED STATUS AND GENERAL INFORMATION

#### Authorised status

Slater Growth Fund (the “Fund”) is an authorised unit trust scheme established by a Trust Deed dated 15 March 2004. It is a Undertakings for Collective Investments in Transferable Securities (UCITS) scheme as defined in the Collective Investment Schemes Sourcebook (COLL). The Fund was authorised and regulated by the Financial Conduct Authority (FCA) with effect from 24 March 2004.

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 United Kingdom (UK) and overseas but concentrating mainly or, where appropriate, exclusively on UK shares. The Fund will focus in particular on shares which are deemed to be under valued and that have the potential of a significant re-rating. Other investments including bonds, warrants and collective investment schemes, 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 the Slater Investments Limited 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).

#### Auditor

During the year the Authorised Fund Manager undertook a value for money assessment review of the auditors, a detailed search was undertaken together with a detailed review. Following this review Roffe Swayne Chartered Accountants and Tax Advisors were appointed.

#### 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.

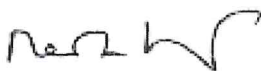
The fixed remuneration paid by the Authorised Fund Manager to its staff in respect of all funds that it manages in the financial year ended 31 December 2018 was £1,001,526 and was shared amongst 14 members of staff. The above figures are taken from the financial report and accounts of Slater Investments 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 GROWTH FUND

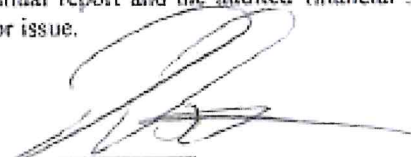
### DIRECTORS' STATEMENT

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



Mark Slater

Director



Ralph Baber

Director

SLATER INVESTMENTS LIMITED

Date: 24 February 2020

### STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The 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 Investment Association (IA) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to do so;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- make judgements and estimates that are prudent and reasonable.

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

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

## SLATER GROWTH FUND

### STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES AND REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF SLATER GROWTH FUND ('THE SCHEME') FOR THE YEAR ENDED 31 DECEMBER 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 are carried out (unless they conflict with the Regulations).

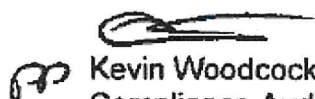
The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

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 Authorised Fund Manager:

(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.

25 February 2020

  
Kevin Woodcock  
Compliance Audit Manager  
Trustee & Depositary Services

## SLATER GROWTH FUND

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

#### Opinion

We have audited the financial statements of the Slater Growth Fund (the 'Fund') for the year ended 31 December 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 31 December 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 Instrument of Incorporation.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

- the Authorised Fund Manager's 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The 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.

#### 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 information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE SLATER GROWTH FUND  
(continued)**

**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 the Authorised Fund Manager**

As explained more fully in the Statement of Authorised Fund Manager's responsibilities statement 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: 26/02/20



## SLATER GROWTH FUND

### FUND MANAGER'S REPORT

#### Report for the year to 31 December 2019

<u>Performance</u>	Six Months	1 year	3 years	5 years	Since launch*
Slater Growth Fund P unit class	+16.99%	+37.87%	+53.18%	+77.42%	+549.60%
Investment Association (IA) OE UK All Companies	+8.16%	+22.37%	+24.00%	+44.18%	+186.13%

\* A unit class launched 30 March 2005

We are pleased with the Fund's short and longer term performance. In 2019, the Fund was able to take advantage of mispricing that occurred as a result of the tumultuous final months of 2018 when share prices fell sharply.

Topping the table was **Future Group**, which operates consumer websites and publishes related magazines. It targets free-spending male hobbyists, advising them on which gadgets to buy and collecting a commission from the resulting e-commerce. The shares leapt +204% and the contribution was +9.44%. Full year results in September 2019 showed a 95% rise in adjusted earnings. Acquisitions in the United States (US) contributed strongly to growth, in particular as Future gradually raises the average revenue per American user towards the higher levels already achieved in the United Kingdom (UK). In the fourth quarter there was a change of direction when the company paid £140 million for TI Media, the publisher of over 40 well-established UK weekly and monthly magazines, such as *Woman's Weekly*, *TV Times* and *Horse & Hound*. This was a departure both in being more female-oriented but also in increasing Future's dependence on print as compared to the advertising and e-commerce from its tech-oriented websites. The purchase was part-funded with a £104 million placing. We expect most of the acquired titles' content to migrate online.

Future likes to curate broker forecasts with an iron rod. After the full year results it loosened its grip a little, allowing the consensus for financial year 2020 to rise sharply. Some of the increase reflected the benefit from TI, but only modestly as it may not be included in profits until April 2020 for competition reasons. The shares closed 2019 on a forward price to earnings ratio of 25 and a price/earnings to growth ratio of 0.7. We cannot reasonably expect a similar share or profit performance this year, but we will see operational progress to continue, particularly in the US. Video will also be a highlight. Future has largely been a wordsmith but it sees video content growing much faster.

Serviced office company **IWG** contributed +2.54% after surging +109%. In March 2019 the company laid out its plan to sell its network to franchisees, leaving IWG to focus on marketing and other support services. In May 2019 it started the process with the sale of its Japanese operations. This was followed by deals in Taiwan and Switzerland. Major disposals are expected in the US in the near term. Superior returns in serviced offices are achieved through selling additional services at high margins: for instance hiring out meeting rooms for conferences. This year should be transformational for IWG as its franchising campaign moves from the periphery to the heart of its network of 3,300 serviced offices.

**Entertainment One** succumbed to a \$4 billion bid from toymaker Hasbro. This generated a contribution of +2.44%. Hasbro was interested in the Peppa Pig and PJ Masks franchises, with all their associated merchandise. Early hopes of a counter-bid came to nothing but this remains a very satisfactory outcome, lifting the shares 58% during the year.

Veterinary chain **CVS Group** closed off a year of spectacular recovery, having started the year with a warning and a plunge in its share price. By year end it had nearly trebled from the low. The contribution over the year was +2.43% and the price rose a giddy +73%. Chief Executive Officer Simon Innes was replaced by Chief Financial Officer Richard Fairman. We welcomed this move, as did the market, as it reflected the fact that CVS must rely on organic growth rather than acquisitions. Simon Innes was primarily interested in corporate deal-making. This became harder as private equity bid up prices and as the veterinary market reached a high level of consolidation. By contrast, Fairman's focus is on operational improvement. A trading statement in November 2019 reported an 8% rise in like for like sales. The shares closed the year on a price to earnings ratio of 22. Current forecasts only assume a 1% growth in earnings in the next financial year, to June 2021, but we can see scope for upgrades as CVS continues to grow by improving rather than buying.

## SLATER GROWTH FUND

### FUND MANAGER'S REPORT (CONTINUED)

#### Report for the year to 31 December 2019

**Liontrust Asset Management** gained +86% and contributed +2.20%. Assets under Management (AuM) reached £17.4 billion on 1<sup>st</sup> October 2019, boosted by £2.7 billion from Neptune Asset Management but also reflecting a £1.4 billion inflow between April and September 2019. Interim results in November 2019 showed a 27% rise in earnings per share. The company has a great track record of spotting attractive sectors and then building or buying teams to service them. The sustainable investments team now handles £4.6 billion, nearly double the AuM when they were acquired in April 2017. We met Liontrust's management to discuss the results. They explained that their focus is now on expanding sales on the Continent. By contrast they have no immediate interest in the US market.

**Codemasters** moved into top gear in the final quarter of 2019. The first important event was the sale in November 2019 of the last 14% held by Reliance Big Entertainment, which had owned the company outright before it floated. Reliance was a distressed seller and it acted like a slow puncture on the share price. Half year results showed a 5.6% fall in earnings, but this merely reflected the timing of major launches. The biggest news in the quarter was the up-to-\$196 million purchase of rival racing games developer Slightly Mad Studios (SMS). The terms sound high but only \$30 million was paid up front with the rest almost entirely funded from earnouts over the next three years. SMS has four games on consoles and PCs and it is also launching a game for the next instalment in the highly popular Fast & Furious film franchise. We are pleased with this deal as it reinforces Codemasters as the go-to producer of racing games. The broader portfolio will also make profits less sensitive to the launch timing of individual titles. The shares raced +74% ahead in the quarter and contributed +1.94%.

Document storage and shredding company **Restore** has well and truly emerged from the doghouse. Its shares rose +71% in the year, contributing +1.91%. We attended the company's capital markets day in November 2019 which was a catalyst for its sharp rally. Newish Chief Executive Officer Charles Bligh set out his plans to promote cross-selling of the company's various services. The main takeaway from the meeting was that Restore is focusing on operational improvement. Growth by acquisition is largely over. The share price action shows that investors put more value on organic growth than on profits derived from financial engineering. Investors will be watching closely to see if the promised cross-selling emerges and delivers upgrades to profits.

**Ergomed** continued its stunning transformation. A year ago it was afflicted by repeated commercial and accounting setbacks. It was also still tainted by its risk-sharing in some customers' clinical programmes and by the fate of its own cash-hungry Haemostatix project.

Move on a year and founder Dr Miroslav Reljanovic is firmly back in charge. No more risk-sharing projects are being undertaken and Haemostatix has been parked. The company is instead focused on expanding clinical research services in the US. The C-suite has been strengthened with a new Chief Financial Officer and the very welcome appointment in December 2019 of a Chief Operating Officer with deep experience in the US clinical services market. A year ago the main interest was on expansion of the pharmacovigilance (PV) division which collects data on drugs after launch. Now it is firmly on clinical research contracting. The logic behind this shift is compelling. PV is essentially an administrative activity which attracts large IT-based services competitors. Most contracts are derived from the large US pharma groups, where Ergomed is at a disadvantage due to its European base. Growth by acquisition is too expensive to be attractive. By contrast, expansion is much easier in the clinical services market because there is a ready supply of specialist sub-contractors. Essentially a clinical research organisation (CRO) only needs a marketing arm for winning business and an audit function to ensure the subcontractors work properly. The consolidation of competing CROs has created a market segment of smaller clinical trials which Ergomed believes is being neglected. Forecasts rose strongly in the quarter, helping the shares rise +150% and giving a contribution of +1.56%.

**Alliance Pharma** decided to abandon its efforts to commercialise Xonvea, a morning sickness drug. Acknowledgement of failure is not normally warmly applauded by investors, but in this case it was cheered. The shares rose +24% and contributed +1.23%. Alliance has a proven record of keeping older drugs alive or even breathing new life into them. Xonvea was outside its sales force's normal medical area and also needed a different type of marketing and sales approach. We expect the company to resume its pattern of steady growth.

## SLATER GROWTH FUND

### FUND MANAGER'S REPORT (CONTINUED)

#### Report for the year to 31 December 2019

Online payments processing specialist, **Safecharge International** accepted an \$889 million cash bid from Nuvei, a private Canadian company. During the period the shares climbed +85% and contributed +1.00%. The offer is at a premium to peers and locks in a material profit for the Fund, which is pleasing. At our last meeting with the company, the Chief Executive Officer made it clear that he either needed to acquire heavily or be acquired. The payment processing industry is one of scale and staying small is not an option. A satisfactory outcome.

**Walt Disney** contributed +0.87% and the shares gained +32% in dollar terms. The excitement in the year was not the reported numbers but rather the launch of its Disney+ streaming service. During the year the company also took full control of Hulu, which is a more traditional streamed alternative to broadcast TV. Disney+ will not become profitable for a couple of years as the immediate aim is to build market share. There is some cannibalisation here, as Disney also owns the ABC broadcast network and ESPN cable sports. The movie divisions obviously feeds in content as well. Consumers have finite time and finite wallets, so ultimately there will be winners and losers. Disney seems uniquely well placed for whatever pattern emerges.

Investors in **Marston's** might reasonably have been braced for another year of poor returns thanks to subdued consumer spending and surging employment costs. In the event the shares rose +35% and the contribution was a cheering +0.84%. Some of this recovery was undoubtedly thanks to the surprise £2.7 billion takeover of Greene King in August 2019 at a 49% premium. There was also some self-help at Marston's, where newish Chairman William Rucker drilled home to management that debt reduction is investors' priority. The company had not convinced the market that its spending on new hotels was justified by the returns.

Full year results in November 2019 showed adjusted earnings per share down 3% but it did report progress in cutting the £1.4 billion net debt. A £200 million reduction by 2023 is targeted. We remain impressed by the brewing division but unfortunately this only accounted for 18% of underlying profits in the year. The promised rapid increase in the living wage is a further concern.

**Charles Taylor**, the insurance services group, received a private equity backed management buyout bid at 315p plus the 3.65p interim dividend. Previously we had been unhappy with the share price performance and engaged with the Chairman to find a buyer for the company. After further discussion the bid was reluctantly increased to 345p. Although this has been a profitable investment we are not overly pleased with this outcome, especially with the Executive Directors so conflicted. The shares 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 were 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 14 times earnings.

The consensus forecasts for **ITV** stabilised in the second half. The shares reacted by rising +21% and contributing +0.67%. A trading statement in November 2019 forecast 5% growth over the full year for ITV Studios though advertising revenue was predicted to fall 2%, still an improvement from earlier trends. ITV and the BBC launched BritBox, the monthly subscription service. Perhaps just as importantly, the trading statement said the addressable advertising platform would be ready for launch in the first quarter. Streaming is a perfect medium for advertising because viewers simply have to watch it in order to see the programme. Also, the adverts will be personalised and there will be scope for click through transactions. Just as Spotify saved the fortunes of the music industry, streaming may restore the fortunes of TV as it moves from broadcasting to narrowcasting.

**DotDigital** contributed +0.64% and the shares gained +24%. Forecasts were scaled back during the year as the company got a better grip on expectations. During the year it announced that the bulk of the Comapi messaging business which was bought in 2018 would be closed down. Comapi's multi-channel technology has been integrated into DotDigital's offering, which was the main purpose of the purchase. Full year group results were reported in October 2019. These showed organic revenues up 15% and average revenue per user rising 14%. Recurring revenues were 86% of total sales. We believe forecasts have now been trimmed back enough for the company to start again to beat expectations.

## SLATER GROWTH FUND

### FUND MANAGER'S REPORT (CONTINUED)

#### Report for the year to 31 December 2019

NCC contributed +0.57%, rising +29%. This recovery only took the shares back to their level of two years earlier. The market tailwinds in IT security blow ever stronger and NCC is the only UK quoted company of any scale. We also believe Chief Executive Officer Adam Palser has found his feet after a fairly wobbly start with investors. The US market was strong last year whereas the UK was sluggish, reflecting a hesitation seen in many areas of IT. We expect NCC's security division will outperform the hesitant performance of the escrow division. This has been a splendid cash cow over the years but its future remains unclear in the context of cloud computing, though NCC has in fact launched a product specifically for cloud escrow.

The election result came as a particular boon for quarry and tarmac group **Breedon Group**. Its shares rose +41% between early November 2019 and the year end. The full year gain was +40% and the contribution was +0.54%. The consensus forecast is for earnings to rise 12% this year and 9% in 2021. Some increased activity does seem likely given the new government's talk of oven-ready spending.

There were no material detractors in the year.

#### Purchases and sales

During the year we sold **Charles Taylor (bid)**, **Close Brothers**, **Entertainment One (bid)**, **First Derivatives**, **On the Beach**, **Quiz**, **Safecharge International (bid)**, **Telford Homes (bid)**, **WYG (bid)** and **XLMedia**. We reduced the holdings in **Arbuthnot Banking Group**, **Ergomed**, **Future Group**, **Hutchison China MediTech** and **River & Mercantile**. We bought **Arrow Global**, **Frasers Group**, **Kin and Carta**, **Ten Entertainment**, **Tesco** and **The Simplybiz Group**. We added to **Applegreen**, **Clinigen Group**, **CVS Group**, **Gamesys Group (formerly JPJ)**, **Codemasters Group**, **Prudential** and **IWG**.

#### Outlook

2019 ended strongly, wrapping up a year of sharp recovery from the near-panic conditions of late 2018. The plunge of 2018 was triggered by aggressive monetary tightening, prompting fears of recession, though central banks relented and boosted the supply of money. Valuations were extremely depressed at the beginning of 2019, leaving significant scope for re-rating. However, the UK stockmarket continued to see outflows from retail and overseas investors owing to concerns about Brexit and the prospect of a Corbyn-led government. The election result in December 2019 has removed the risk of a Marxist government and means that, for many investors, UK equities are suddenly investable again. The likelihood of a satisfactory resolution of Brexit has also been materially enhanced now that the EU is no longer able to arbitrage a minority government. The UK market remains 10% below its average value of the last 10 years relative to the US and 20% below where it was just before the 2016 referendum. We remain optimistic for 2020.

Slater Investments Limited.

24 February 2020

## SLATER GROWTH 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 last day of February	-	-	0.2182	1.6499
<u>Class B Accumulation</u>				
Net income paid last day of February	2.7817	1.7752	2.6512	3.7314
<u>Class P Accumulation</u>				
Net income paid last day of February	4.1528	3.1991	3.9343	4.8066

#### Material portfolio changes

For the year ended 31 December 2019

<b>Purchases</b>	<b>Cost (£)</b>	<b>Sales</b>	<b>Proceeds (£)</b>
Tesco	17,850,341	Entertainment One	30,958,172
Ten Entertainment	9,918,327	Future Group	13,387,872
Codemasters Group	6,416,037	Safecharge International Group	9,083,852
Clinigen Group	6,234,543	On the Beach	8,521,266
IWG	4,543,030	Charles Taylor	8,492,240
The Simplybiz Group	3,677,325	Close Brothers Group	5,343,805
Gamesys Group (formerly JPJ)	3,404,045	Hutchison China Meditech	4,488,828
Arrow Global Group	3,364,336	Telford Homes	3,937,500
Applegreen	2,611,769	First Derivatives	3,587,005
Kin and Carta	2,481,536	WYG	2,717,000
Hutchison China MediTech ADR	2,257,616	Ergomed	2,111,286
Hutchison China Meditech	2,231,212	Quiz	764,799
Frasers Group	1,949,482	XLMedia	604,412
CVS Group	1,937,639	Arbuthnot Banking Group	131,801
Entertainment One	1,455,759	River & Mercantile	82,638
Breedon Group	243,867	Arbuthnot Banking Group Non-Voting	63,930
Ergomed	153,230		
Charles Taylor	148,418		
<b>Total Purchases for the year</b>	<b>70,878,512</b>	<b>Total Sales for the year</b>	<b>94,276,406</b>

## SLATER GROWTH 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>31.12.19</b>	<b>31.12.18</b>	<b>31.12.17</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	442.65	521.98	404.50
Return before operating charges*	177.28	(71.29)	124.78
Operating charges	(7.95)	(8.04)	(7.30)
Return after operating charges*	169.33	(79.33)	117.48
Gross distribution on accumulation units	-	-	(0.22)
Accumulation distributions reinvested	-	-	0.22
Closing net asset value per unit	611.98	442.65	521.98
*after direct transaction costs of	0.27	0.28	0.15
<b>Performance</b>			
Return after charges	38.25%	(15.20%)	29.04%
<b>Other information</b>			
Closing net asset value	£37,767,522	£34,126,382	£52,573,009
Closing number of units	6,171,368	7,709,535	10,071,924
Operating charges	1.53%	1.60%	1.54%
Direct transaction costs	0.05%	0.06%	0.03%
<b>Prices</b>			
Highest unit price	618.35p	529.69p	521.98p
Lowest unit price	441.50p	439.84p	404.16p
<b>Class B accumulation units</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
<b>Change in net assets per unit</b>	<b>31.12.19</b>	<b>31.12.18</b>	<b>31.12.17</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	460.04	539.72	415.64
Return before operating charges*	180.72	(74.15)	129.12
Operating charges	(5.60)	(5.53)	(5.04)
Return after operating charges*	175.12	(79.68)	124.08
Gross distribution on accumulation units	(2.78)	(1.78)	(2.65)
Accumulation distributions reinvested	2.78	1.78	2.65
Closing net asset value per unit	635.16	460.04	539.72
*after direct transaction costs of	0.28	0.29	0.16
<b>Performance</b>			
Return after charges	38.07%	(14.76%)	29.85%
<b>Other information</b>			
Closing net asset value	£15,146,096	£10,290,942	£11,115,523
Closing number of units	2,384,621	2,236,991	2,059,501
Operating charges	1.03%	1.06%	1.03%
Direct transaction costs	0.05%	0.06%	0.03%
<b>Prices</b>			
Highest unit price	641.76p	548.73p	539.72p
Lowest unit price	458.86p	457.11p	415.30p

## SLATER GROWTH FUND

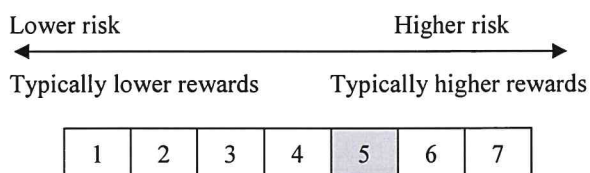
### FUND INFORMATION (CONTINUED)

#### Comparative tables (continued)

Class P accumulation units Change in net assets per unit	Year to 31.12.19 pence	Year to 31.12.18 pence	Year to 31.12.17 pence
Opening net asset value per unit	468.78	548.43	421.15
Return before operating charges*	180.86	(75.44)	131.16
Operating charges	(4.33)	(4.21)	(3.88)
Return after operating charges*	176.53	(79.65)	127.28
Gross distribution on accumulation units	(4.15)	(3.20)	(3.93)
Accumulation distributions reinvested	4.15	3.20	3.93
Closing net asset value per unit	645.31	468.78	548.43
*after direct transaction costs of	0.29	0.29	0.16
<b>Performance</b>			
Return after charges	37.66%	(14.52%)	30.22%
<b>Other information</b>			
Closing net asset value	£575,248,076	£441,545,880	£432,892,452
Closing number of units	89,143,428	94,190,864	78,932,781
Operating charges	0.79%	0.79%	0.78%
Direct transaction costs	0.05%	0.05%	0.03%
<b>Prices</b>			
Highest unit price	652.01p	559.17p	548.43p
Lowest unit price	467.58p	465.80p	420.81p

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 GROWTH FUND

FUND INFORMATION (CONTINUED)

Portfolio statement  
as at 31 December 2019

Holding or nominal value	Bid value £	Percentage of total net assets	
		31 Dec'19 %	31 Dec'18 %
<b>APPAREL RETAILERS</b>			
	Total Apparel Retailers	-	0.22
<b>CONSTRUCTION &amp; MATERIALS</b>			
10,582,857	Breedon Group	8,783,771	1.40
11,390,243	SigmaRoc	5,581,219	0.89
	Total Construction & Materials	14,364,990	2.29
<b>CONSUMER SERVICES</b>			
970,000	Applegreen	4,316,500	0.69
1,864,937	Gamesys Group (formerly JPJ)	13,185,105	2.10
4,579,615	Goco Group (formerly Gocompare.com Group)	4,753,640	0.76
	Total Consumer Services	22,255,245	3.55
<b>FINANCIAL SERVICES</b>			
3,587,914	AFH Financial Group	12,342,424	1.97
585,638	Arbuthnot Banking Group	7,613,294	1.21
1,537,923	Arrow Global Group	3,906,324	0.62
3,531,694	JTC	14,197,410	2.26
1,875,270	Liontrust Asset Management	20,252,916	3.22
1,260,000	M&G	2,986,200	0.48
133,022	River & Mercantile	332,555	0.05
2,032,487	The SimplyBiz Group	4,979,593	0.79
	Total Financial Services	66,610,716	10.60
<b>GENERAL RETAILERS</b>			
2,036,313	CVS Group	23,315,784	3.71
646,469	Frasers Group	2,951,777	0.47
7,244,020	Tesco	18,472,251	2.94
	Total General Retailers	44,739,812	7.12
<b>HOUSEHOLD GOODS &amp; HOME CONSTRUCTION</b>			
975,000	IG Design Group	6,922,500	1.10
	Total Household Goods & Home Construction	6,922,500	1.10



**SLATER GROWTH FUND**

**FUND INFORMATION (CONTINUED)**

**Portfolio statement (continued)**

as at 31 December 2019

Holding or nominal value		Bid value £	Percentage of total net assets	
			31 Dec'19 %	31 Dec'18 %
<b>INDUSTRIAL ENGINEERING</b>				
400,000	Pressure Technologies	468,000	0.07	
2,369,307	Trifast	4,264,753	0.68	
	Total Industrial Engineering	4,732,753	0.75	0.97
<b>INDUSTRIAL TRANSPORTATION</b>				
3,775,000	Avation	10,041,500	1.60	
220,000	James Fisher & Sons	4,455,000	0.71	
	Total Industrial Transportation	14,496,500	2.31	2.76
<b>LIFE INSURANCE</b>				
1,260,000	Prudential	18,219,600	2.90	
	Total Life Insurance	18,219,600	2.90	3.64
<b>MEDIA</b>				
3,665,035	Future Group	53,069,707	8.45	
9,000,000	ITV	13,581,000	2.16	
2,720,452	Next Fifteen Communications	14,309,578	2.28	
2,415,742	STV Group	9,856,227	1.57	
3,398,000	Ten Entertainment	10,160,020	1.62	
	Total Media	100,976,532	16.08	16.10
<b>OIL &amp; GAS PRODUCERS</b>				
12,503,900	Amerisur Resources	2,390,746	0.38	
	Total Oil & Gas Producers	2,390,746	0.38	0.39
<b>PHARMACEUTICALS &amp; BIOTECHNOLOGY</b>				
30,945,000	Alliance Pharma	26,024,745	4.14	
1,006,103	Clinigen Group	9,301,422	1.48	
2,480,000	Ergomed	9,523,200	1.52	
3,310,820	Hutchison China MediTech	12,581,116	2.00	
	Total Pharmaceuticals & Biotechnology	57,430,483	9.14	10.44

**SLATER GROWTH FUND**

**FUND INFORMATION (CONTINUED)**

**Portfolio statement (continued)**

as at 31 December 2019

Holding or nominal value		Bid value £	Percentage of total net assets	
			31 Dec'19 %	31 Dec'18 %
<b>SOFTWARE &amp; COMPUTER SERVICES</b>				
8,679,357	Codemasters Group	24,128,613	3.84	
15,072,123	DotDigital Group	14,167,796	2.26	
2,140,625	Iomart Group	7,963,125	1.27	
2,760,954	Kin and Carta	2,749,910	0.44	
4,679,111	NCC Group	10,551,395	1.68	
6,913,895	Redcentric	6,858,584	1.09	
	<b>Total Software &amp; Computer Services</b>	<b>66,419,423</b>	<b>10.58</b>	<b>9.02</b>
<b>SUPPORT SERVICES</b>				
32,712,695	Inspired Energy	5,888,285	0.94	
5,725,930	IWG	24,936,425	3.97	
1,654,524	Mears Group	4,864,301	0.77	
3,700,242	Restore	20,055,312	3.19	
4,270,000	Sureserve	1,451,800	0.23	
1,550,000	Wilmington Group	3,813,000	0.61	
	<b>Total Support Services</b>	<b>61,009,123</b>	<b>9.71</b>	<b>8.04</b>
<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>				
417,500	CML Microsystems	1,452,900	0.23	
	<b>Total Technology Hardware &amp; Equipment</b>	<b>1,452,900</b>	<b>0.23</b>	<b>0.35</b>
<b>TRAVEL &amp; LEISURE</b>				
9,433,879	Marston's	11,981,026	1.91	
	<b>Total Travel &amp; Leisure</b>	<b>11,981,026</b>	<b>1.91</b>	<b>3.29</b>
<b>OVERSEAS SECURITIES</b>				
670,000	Hutchison China MediTech ADR	12,679,291	2.02	
162,000	Walt Disney	17,676,609	2.81	
	<b>Total Overseas Securities</b>	<b>30,355,900</b>	<b>4.83</b>	<b>2.87</b>
	<b>Portfolio of investments</b>	<b>524,358,249</b>	<b>83.48</b>	<b>77.96</b>
	<b>Net current assets</b>	<b>103,803,445</b>	<b>16.52</b>	<b>22.04</b>
	<b>Net assets</b>	<b>628,161,694</b>	<b>100.00</b>	<b>100.00</b>

**SLATER GROWTH FUND**

**ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**Statement of total return**

	Notes	31 December 2019		31 December 2018	
		£	£	£	£
<b>Income</b>					
Net capital gains/(losses)	4		169,105,575		(87,198,388)
Revenue	6	8,317,478		7,592,726	
Expenses	7	<u>(4,516,118)</u>		<u>(4,637,719)</u>	
Net revenue before taxation		3,801,360		2,955,007	
Taxation	8	<u>(55,031)</u>		<u>(45,132)</u>	
Net revenue after taxation			<u>3,746,329</u>		<u>2,909,875</u>
<b>Total return before distributions</b>			172,851,904		(84,288,513)
Distributions	9		<u>(3,731,272)</u>		<u>(2,992,707)</u>
<b>Change in net assets attributable to unitholders from investment activities</b>			<u>169,120,632</u>		<u>(87,281,220)</u>

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

		31 December 2019		31 December 2018	
		£	£	£	£
<b>Opening net assets attributable to unitholders</b>			485,963,204		496,580,984
Amounts receivable on issue of units		29,982,013		116,884,678	
Amounts payable on cancellation of units		<u>(60,720,437)</u>		<u>(43,273,754)</u>	
Amounts receivable/(payable) on unit class conversions		6,624		(424)	
Dilution adjustment		<u>41,378</u>		<u>-</u>	
			<u>(30,690,422)</u>		<u>73,610,500</u>
Change in net assets attributable to unitholders from investment activities			169,120,632		(87,281,220)
Retained distributions on accumulation units			3,768,280		3,052,940
<b>Closing net assets attributable to unitholders</b>			<u>628,161,694</u>		<u>485,963,204</u>

**SLATER GROWTH FUND****ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2019

**Balance sheet**

	Notes	31 December 2019		31 December 2018	
		£	£	£	£
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			524,358,249		378,860,322
<b>Current Assets</b>					
Debtors	10	2,136,898		1,185,530	
Cash	11	<u>101,710,411</u>		<u>106,240,196</u>	
Total current assets			<u>103,847,309</u>		<u>107,425,726</u>
Total assets			<u>628,205,558</u>		<u>486,286,048</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Creditors	12	<u>43,864</u>		<u>322,844</u>	
Total liabilities			<u>43,864</u>		<u>322,844</u>
<b>Net assets attributable to unitholders</b>			<u>628,161,694</u>		<u>485,963,204</u>

## SLATER GROWTH FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 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 the 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.

## SLATER GROWTH FUND

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

For the year ended 31 December 2019

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### e. Taxation (continued)

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

##### f. Valuation of investments

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

##### 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 the net capital gains/(losses) for the period in the SoTR.

##### 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 uncollectability.

## SLATER GROWTH FUND

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

For the year ended 31 December 2019

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### i. Financial assets (continued)

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.

##### 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 to 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.

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

**For the year ended 31 December 2019**

**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.

**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 GROWTH FUND**

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

**For the year ended 31 December 2019**

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities	169,114,573	(87,178,479)
Currency gains	2,864	6,550
Transaction charges	(11,862)	(26,459)
<b>Net capital gains/(losses)</b>	<b>169,105,575</b>	<b>(87,198,388)</b>

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>
Purchases excluding transaction costs	66,153,380	99,517,477
Corporate actions	7,062,686	-
	<u>73,216,066</u>	<u>99,517,477</u>
Commissions	51,541	59,256
Taxes and other charges	184,763	185,278
Total purchase transaction costs	<u>236,304</u>	<u>244,534</u>
<b>Purchases including transaction costs</b>	<b>73,452,370</b>	<b>99,762,011</b>

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

Commissions	0.08%	0.06%
Taxes and other charges	0.28%	0.19%

Sales excluding transaction costs	43,134,886	56,185,142
Corporate actions	53,759,210	-
	<u>96,894,096</u>	<u>56,185,142</u>
Commissions	(43,713)	(49,051)
Taxes and other charges	(119)	(447)
Total sale transaction costs	<u>(43,832)</u>	<u>(49,498)</u>
<b>Sales net of transaction costs</b>	<b>96,850,264</b>	<b>56,135,644</b>

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

Commissions	0.10%	0.09%
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>
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**Transaction handling charges**

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

	<u>11,862</u>	<u>26,459</u>
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**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>1.54%</u>	<u>1.89%</u>
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SLATER GROWTH FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6. REVENUE

	31 December 2019	31 December 2018
	£	£
UK dividends	6,457,709	5,698,438
Overseas interest	10,889	-
Overseas dividends	1,532,864	1,631,620
Bank interest	316,016	262,668
<b>Total revenue</b>	<u>8,317,478</u>	<u>7,592,726</u>

7. EXPENSES

	31 December 2019	31 December 2018
	£	£
Payable to the Authorised Fund Manager or associates:		
Authorised Fund Manager's periodic charge	4,288,243	4,408,655
	<u>4,288,243</u>	<u>4,408,655</u>
Payable to the trustee or associates:		
Trustee's fees	192,138	194,016
Safe Custody fees	30,845	29,514
	<u>222,983</u>	<u>223,530</u>
Other expenses:		
Financial Conduct Authority Fee	224	194
Audit fee	4,620	5,340
Other expenses	48	-
	<u>4,892</u>	<u>5,534</u>
<b>Total expenses</b>	<u>4,516,118</u>	<u>4,637,719</u>

8. TAXATION

	31 December 2019	31 December 2018
	£	£
Analysis of the tax charge for the year		
UK Corporation tax at 20% (2018: 20%)	-	-
Overseas tax	55,031	45,132
<b>Total tax charge</b>	<u>55,031</u>	<u>45,132</u>
Factors affecting the tax charge for the year		
Net revenue before taxation	3,801,360	2,955,007
Corporation tax at 20% (2018: 20%)	760,272	591,002
Effects of:		
Revenue not subject to taxation	(1,598,115)	(1,466,012)
Unrelieved excess management expenses	837,843	875,010
Overseas tax	55,031	45,132
<b>Current tax charge</b>	<u>55,031</u>	<u>45,132</u>

At 31 December 2019 the Fund has deferred tax assets of £4,353,840 (2018: £3,515,997) arising from surplus management expenses which have not been recognised due to uncertainty over the availability of future taxable profits.

## SLATER GROWTH FUND

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

For the year ended 31 December 2019

#### 9. DISTRIBUTIONS

	31 December 2019	31 December 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:		
Final - Income to December	3,768,280	3,052,941
Equalisation deducted on cancellation of units	122,604	78,016
Equalisation added on issue of units	(152,988)	(137,826)
Equalisation payable on unit class conversions	(6,624)	(424)
<b>Distributions</b>	<u>3,731,272</u>	<u>2,992,707</u>
Distributions represented by:		
Net revenue after taxation	3,746,329	2,909,875
Add: Revenue deficit for the year - A Accumulation unit class	914	79,904
Add: Other capital expenses	308	6,550
Add: Prior year income received post year end	10,102	6,513
Interest income received post year end	<u>(26,438)</u>	<u>(10,102)</u>
Balance brought forward	(680)	(713)
Balance carried forward	<u>737</u>	<u>680</u>
	<u>3,731,272</u>	<u>2,992,707</u>

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

#### 10. DEBTORS

	31 December 2019	31 December 2018
	£	£
Amounts receivable for issue of units	1,008,327	84,052
Accrued income	1,108,154	1,037,058
Securities sold receivable	19,564	19,989
Prepaid expenses	853	5,962
Taxation recoverable	-	38,469
<b>Total debtors</b>	<u>2,136,898</u>	<u>1,185,530</u>

#### 11. CASH

	31 December 2019	31 December 2018
	£	£
Capital bank account	79,363,079	69,068,883
Revenue bank account	3,809,241	2,994,121
Deposit account	<u>18,538,091</u>	<u>34,177,192</u>
<b>Total cash</b>	<u>101,710,411</u>	<u>106,240,196</u>

## SLATER GROWTH FUND

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

For the year ended 31 December 2019

#### 12. OTHER CREDITORS

	31 December 2019 £	31 December 2018 £
Amounts payable for cancellation of units	32,474	307,489
Accrued expenses	11,390	15,355
<b>Total other creditors</b>	<u>43,864</u>	<u>322,844</u>

#### 13. RELATED PARTIES

Slater Investments Limited 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 £4,288,243 (2018: £4,408,655). Amounts due and payable at the year end to Slater Investments Limited total £nil (2018: £nil).

The aggregate monies received by the Authorised Fund Manager 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 £1,008,327 (2018: £84,052), amounts payable at year end for units redeemed total £32,474 (2018: £307,489).

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

Investor	% Holdings	
	31 December 2019	31 December 2018
Proportion of class A units owned by Slater Investments Limited	-	0.42%
Proportion of class P units owned by Slater Investments Limited	0.03%	-
Proportion of class P units owned by Northglen Investments Limited	1.41%	1.33%
Proportion of class P units owned by directors beneficially and non-beneficially	0.40%	0.25%

#### 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 January 2019	<u>7,709,535</u>	<u>2,236,991</u>	<u>94,190,864</u>
Units issued	411,972	224,542	4,448,280
Units cancelled	(1,349,023)	(254,661)	(9,884,975)
Units issued on conversion of units	3,828	177,788	389,259
Units cancelled on conversion of units	(604,944)	(39)	-
Closing units in issue at 31 December 2019	<u>6,171,368</u>	<u>2,384,621</u>	<u>89,143,428</u>

## SLATER GROWTH FUND

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

For the year ended 31 December 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 £26,217,912 (2018: £18,943,016). 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 as at 31 December 2019	<b>Investments (£)</b>	<b>Net current assets (£)</b>	<b>Total (£)</b>
US Dollar	30,355,900	91,821	30,447,721
Foreign currency exposure as at 31 December 2018	<b>Investments (£)</b>	<b>Net current assets (£)</b>	<b>Total (£)</b>
US Dollar	13,948,589	133,337	14,081,926

##### Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the United States Dollar would have the effect of increasing the return and net assets of the Fund by £1,522,386 (2018: £704,096). 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>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>
Other creditors		
Less than 1 year	43,864	322,844
<b>Total</b>	<b>43,864</b>	<b>322,844</b>

#### 16. FAIR VALUE DISCLOSURE

Fair value hierarchy as at 31 December 2019

Valuation technique	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>Assets (£)</b>	<b>Liabilities (£)</b>	<b>Assets (£)</b>	<b>Liabilities (£)</b>
Level 1	524,358,249	-	378,860,322	-
Level 2	-	-	-	-
Level 3	-	-	-	-
	<u>524,358,249</u>	<u>-</u>	<u>378,860,322</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 GROWTH FUND**

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

**For the year ended 31 December 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.

**17. DISTRIBUTION TABLE**

**ACCUMULATION UNITS**

**For the year ended 31 December 2019**

Group 1: units purchased prior to 1 January 2019

Group 2: units purchased on or after 1 January 2019

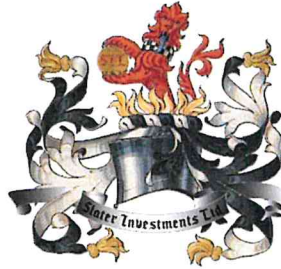
		Net revenue to 31-Dec-19 pence per unit	Equalisation to 31-Dec-19 pence per unit	Distribution payable 28-Feb-20 pence per unit	Distribution paid 28-Feb-19 pence per unit
<b>Class A</b>	Group 1	0.0000p	0.0000p	0.0000p	0.0000p
	Group 2	0.0000p	0.0000p	0.0000p	0.0000p
<b>Class B</b>	Group 1	2.7817p	0.0000p	2.7817p	1.7752p
	Group 2	2.7817p	0.0000p	2.7817p	1.7752p
<b>Class P</b>	Group 1	4.1528p	0.0000p	4.1528p	3.1991p
	Group 2	4.1528p	0.0000p	4.1528p	3.1991p

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

Franked	96.07%	Unfranked	3.93%
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'£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**

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Slater Investments Limited (Reg. No.2863882), is registered in England and Wales, and is authorised and regulated in the UK by the Financial Conduct Authority.

