

# Maitland

**MI Sterling Select Companies Fund**

**Annual Report 30 April 2021**

# MI Sterling Select Companies Fund

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\*These collectively comprise the Authorised Unit Trust Manager's Report.

## Directory

### Authorised Unit Trust Manager (AUTM) & Registrar

Maitland Institutional Services Limited  
Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY  
Telephone: 01245 398950  
Fax: 01245 398951  
Website: [www.maitlandgroup.com](http://www.maitlandgroup.com)  
(Authorised and regulated by the Financial Conduct Authority)

### Customer Service Centre

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY  
Telephone: 0345 305 4213  
Fax: 0845 280 0109  
Website: [www.maitlandgroup.com](http://www.maitlandgroup.com)

### Directors of the Authorised Unit Trust Manager

C. Deptford (appointed 15 October 2020)  
P.J. Foley-Brickley  
C. O'Keeffe  
D. Phillips (Non-Executive Director)  
J. Thompson (Non-Executive Director)

### Investment Manager

Thornbridge Investment Management LLP  
13 Austin Friars, London EC2N 2HE  
(Authorised and regulated by the Financial Conduct Authority)

### Investment Advisor

Sterling Investment Management  
Lynwood House, 2-4 Crofton Road, Orpington, Kent BR6 8QE  
(Authorised and regulated by the Financial Conduct Authority)

### Trustee

Northern Trust Global Services SE (UK Branch)  
50 Bank Street, Canary Wharf, London E14 5NT  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

### Independent Auditor

Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants  
30 Finsbury Square, London EC2A 1AG

## Investment Objective and Policy

### Investment objective

The Fund seeks capital growth over the long-term (3-5 years).

### Investment policy

The Fund invests at least 75% in smaller and medium sized UK companies.

- Smaller and medium-sized companies will typically be those which have a market capitalisation of up to £5bn.
- UK companies are those which are domiciled or listed or have business operations in the UK.

Up to 25% of the Fund may also be invested in:

- companies of the different market size
- non-UK companies
- cash or near cash
- money market instruments
- transferable securities; and
- other collective investment schemes, including those managed by the Manager or Investment Manager.

## Investment Manager's Report

for the year ended 30 April 2021

Over the year, our Accumulation Units delivered a return of 48.8%\*. This was ahead of the 30.2%\* return of the IA UK All Companies benchmark but behind the 56.9%\* return of the IA UK Smaller Companies benchmark.

However, the very high returns of both our Fund and of the IA indices have clearly been influenced by base effects (with the period starting only a month after the March 2020 lows) and are, of course, unlikely to be sustainable over the long term. With this in mind, we remain focused on building a portfolio of high quality businesses that can continue to deliver for our shareholders over the long term.

Put simply,

- We are ever conscious of operating within the parameters of our competency - i.e. investing in what we understand and staying away from businesses which are flavour of the month – however enticing they may appear.
- We continue to focus on absolute capital growth with a 3-5 year horizon, rather than relative performance against benchmarks over relatively short periods.
- We continue to ignore “expert” forecasters, instead focusing on resilient businesses that can handle surprises. Black swans are more common than you may think.

A whole range of businesses have demonstrated remarkable resilience over this most unusual of years. This time last year, the doom and gloom mongers were out in force and a wide range of economists were predicting the worst possible outcomes for the UK. Twelve months ago, many CEOs would have given their right arm to “lock in” the performance that their businesses ultimately went on to achieve. Fortunately, we are not aware of any arms having been lost over the year, though such resilience in the face of the challenges and adversity that last year presented should be applauded.

Of course, not every business has fared quite so well – it will likely take two to three years for the hospitality, airlines and leisure sectors to fully recover – but the general mood of many other sectors within the UK is one of onwards and upwards.

Update on recent developments with some of our larger holdings:

- When we first invested in Open Orphan at 11p, we liked the fact that it was a rapidly developing Contract Research Organisation with a turnaround story spurred by owner-manager Cathal Friel, whose passion and effervescence is seriously contagious. The company has emerged as one of the world leaders in human challenge study trials for the testing of vaccines and antivirals. One contract win follows another; the latest being a £3m deal with Imperial College London, as part of a Wellcome Trust initiative to manufacture a SARS-CoV-2 challenge virus. We expect further contract wins and spin-offs in the coming months, which should lead to continued value creation for unitholders.

## Investment Manager's Report

continued

- Bilby is a gas central heating, electrical and building services provider. Despite lockdowns, Bilby continued to deliver essential work for its largely local authority clients. In a recent trading update, it confirmed that revenues for the year ending 31st March 2021 would be c£60m, with EBITDA of c£3m. Non-Executive Chairwoman Sangita Shah has worked assiduously and addressed governance issues, allowing CEO David Bullen to focus on streamlining operations. He has worked day and night, shed loss-making contracts and reduced net debt to £2.7m (from £11m just 15 months ago). The team has delivered a remarkable turnaround in under two years – potentially saving 400 jobs. We tip our hat. We expect the stock to further re-rate as the company continues to demonstrate its cash generation capacity and pay down its debt.
- Shield Therapeutics is a commercial stage pharmaceuticals specialist with a focus on addressing iron deficiency. Its lead product, Feraccru/Accrufer, has been approved by the US FDA and also by other regulators covering the EU, UK and Swiss markets. We expect this treatment to be a game changer, with a US launch planned for next month and patents ensuring exclusivity until 2035.

For us, business will always be about people. One common theme that investors will observe in our top holdings – and in all our holdings for that matter – is our focus on three things: management, management and management. We seek owner-operators. In each case, these leaders run their businesses with a true ownership mindset and they love what they do. In our opinion, they are not principally driven by financial gain. The pandemic has changed many sectors but our owner-managers know their sport backwards. They care for company culture and play to win, while delivering value to customers and all other stakeholders.

We continue to be nimble investors and the small cap market remains highly fertile.

We thank you for your trust.

\*Source: Morningstar.

# MI Sterling Select Companies Fund

## Portfolio Statement

as at 30 April 2021

| Holding  | Security                       | Market value<br>£ | % of total<br>net assets<br>2021 |
|--|--------------------------------|-------------------|----------------------------------|
| <b>TECHNOLOGY 5.63% (3.01%)</b>                                      |                                |                   |                                  |
| <b>Software and Computer Services 5.63% (3.01%)</b>                  |                                |                   |                                  |
| 39,291   | Computacenter                  | 1,051,427         | 2.10                             |
| 25,000   | Future                         | 590,000           | 1.18                             |
| 29,901   | GB*                            | 268,511           | 0.54                             |
| 333,727  | NCC                            | 906,069           | 1.81                             |
|  |                                | <hr/>             |                                  |
|  |                                | 2,816,007         | 5.63                             |
| <b>HEALTH CARE 25.68% (3.11%)</b>                                    |                                |                   |                                  |
| <b>Health Care Providers 8.27% (0.00%)</b>                           |                                |                   |                                  |
| 9,966,084  | Open Orphan*                   | 4,135,925         | 8.27                             |
| <b>Medical Equipment and Services 9.26% (0.00%)</b>                  |                                |                   |                                  |
| 2,393,901  | Omega Diagnostics*             | 1,687,700         | 3.37                             |
| 1,666,666  | Polarean Imaging*              | 1,366,666         | 2.73                             |
| 929,500  | SourceBio International*       | 1,580,150         | 3.16                             |
|  |                                | <hr/>             |                                  |
|  |                                | 4,634,516         | 9.26                             |
| <b>Pharmaceuticals and Biotechnology 8.15% (3.11%)</b>               |                                |                   |                                  |
| 900,174  | Genedrive*                     | 783,151           | 1.56                             |
| 6,864,569  | Shield Therapeutics*           | 3,294,993         | 6.59                             |
|  |                                | <hr/>             |                                  |
|  |                                | 4,078,144         | 8.15                             |
| <b>FINANCIALS 11.13% (15.83%)</b>                                    |                                |                   |                                  |
| <b>Finance and Credit Services 1.87% (5.16%)</b>                     |                                |                   |                                  |
| 1,100,000  | TruFin*                        | 935,000           | 1.87                             |
| <b>Investment Banking and Brokerage Services 9.26% (10.67%)</b>      |                                |                   |                                  |
| 85,810   | Intermediate Capital Group     | 1,875,807         | 3.75                             |
| 115,855  | Liontrust Asset Management     | 1,872,217         | 3.74                             |
| 1,000,000  | Litigation Capital Management* | 884,000           | 1.77                             |
|  |                                | <hr/>             |                                  |
|  |                                | 4,632,024         | 9.26                             |
| <b>REAL ESTATE 0.94% (5.67%)</b>                                     |                                |                   |                                  |
| <b>Real Estate Investment and Services Development 0.94% (5.04%)</b> |                                |                   |                                  |
| 780,000  | Inland Homes*                  | 468,000           | 0.94                             |
| <b>Real Estate Investment Trusts 0.00% (0.63%)</b>                   |                                |                   |                                  |
| <b>CONSUMER DISCRETIONARY 10.94% (11.30%)</b>                        |                                |                   |                                  |
| <b>Automobiles and Parts 1.00% (0.68%)</b>                           |                                |                   |                                  |
| 2,500,000  | Autins*                        | 500,000           | 1.00                             |
| <b>Household Goods and Home Construction 3.04% (7.69%)</b>           |                                |                   |                                  |
| 20,000   | Persimmon                      | 626,400           | 1.25                             |
| 576,569  | Springfield Properties*        | 893,682           | 1.79                             |
|  |                                | <hr/>             |                                  |
|  |                                | 1,520,082         | 3.04                             |

# MI Sterling Select Companies Fund

## Portfolio Statement

continued

| Holding   | Security  | Market value<br>£ | % of total<br>net assets<br>2021 |
|-----------|---|-------------------|----------------------------------|
|           | <b>Leisure Goods 0.00% (1.90%)</b>                          |                   |                                  |
|           | <b>Media 0.00% (1.03%)</b>                                  |                   |                                  |
|           | <b>Retailers 6.90% (0.00%)</b>                              |                   |                                  |
| 875,000   | In The Style*   | 2,030,000         | 4.06                             |
| 586,294   | Virgin Wines UK*  | 1,418,831         | 2.84                             |
|           |   | <b>3,448,831</b>  | <b>6.90</b>                      |
|           | <b>CONSUMER STAPLES 4.96% (3.59%)</b>                       |                   |                                  |
|           | <b>Food Producers 3.52% (1.09%)</b>                         |                   |                                  |
| 1,806,586 | Premier Foods   | 1,761,421         | 3.52                             |
|           | <b>Personal Care, Drug and Grocery Stores 1.44% (2.50%)</b> |                   |                                  |
| 375,000   | Supreme*  | 720,000           | 1.44                             |
|           | <b>INDUSTRIALS 16.38% (0.00%)</b>                           |                   |                                  |
|           | <b>Construction and Materials 1.98% (1.80%)</b>             |                   |                                  |
| 823,304   | Titon*  | 987,965           | 1.98                             |
|           | <b>Aerospace and Defense 2.33% (0.00%)</b>                  |                   |                                  |
| 35,350    | Avon Rubber   | 1,167,257         | 2.33                             |
|           | <b>Electronic and Electrical Equipment 2.57% (6.78%)</b>    |                   |                                  |
| 455,591   | Strix*  | 1,284,767         | 2.57                             |
|           | <b>General Industrials 1.01% (4.80%)</b>                    |                   |                                  |
| 150,000   | Hargreaves*   | 505,500           | 1.01                             |
|           | <b>Industrial Support Services 7.34% (14.77%)</b>           |                   |                                  |
| 8,477,235 | Bilby*  | 3,136,577         | 6.27                             |
| 630,000   | Frontier IP*  | 535,500           | 1.07                             |
|           |   | <b>3,672,077</b>  | <b>7.34</b>                      |
|           | <b>Industrial Transportation 1.15% (1.95%)</b>              |                   |                                  |
| 1,610,014 | Esken   | 573,970           | 1.15                             |
|           | <b>BASIC MATERIALS 15.41% (0.00%)</b>                       |                   |                                  |
|           | <b>Industrial Materials 4.53% (5.02%)</b>                   |                   |                                  |
| 234,375   | Anglo Pacific   | 324,375           | 0.65                             |
| 125,000   | Hill & Smith  | 1,837,500         | 3.67                             |
| 44,600    | Rotite^   | 104,810           | 0.21                             |
| 20        | Zoono   | 9                 | 0.00                             |
|           |   | <b>2,266,694</b>  | <b>4.53</b>                      |
|           | <b>Chemicals 10.88% (6.48%)</b>                             |                   |                                  |
| 1,651,500 | HeiQ Materials  | 3,203,910         | 6.41                             |
| 198,000   | Treatt  | 2,237,400         | 4.47                             |
|           |   | <b>5,441,310</b>  | <b>10.88</b>                     |

## MI Sterling Select Companies Fund

### Portfolio Statement

continued

| Holding    | Security   | Market<br>value<br>£ | % of total<br>net assets<br>2021 |
|------------|--|----------------------|----------------------------------|
|            | <b>ENERGY 2.95% (0.00%)</b>                      |                      |                                  |
|            | <b>Oil, Gas and Coal 0.55% (0.00%)</b>           |                      |                                  |
| 174,242    | Jersey Oil & Gas*                                | 273,560              | 0.55                             |
|            | <b>Alternative Energy 1.29% (0.00%)</b>          |                      |                                  |
| 10,264,609 | Velocys*   | 646,670              | 1.29                             |
|            | <b>Waste and Disposal Services 1.11% (0.00%)</b> |                      |                                  |
| 264,166    | Augean*  | 554,749              | 1.11                             |
|            | <b>Investment assets</b>                         | <b>47,024,469</b>    | <b>94.02</b>                     |
|            | <b>Net other assets</b>                          | <b>2,993,272</b>     | <b>5.98</b>                      |
|            | <b>Net assets</b>                                | <b>50,017,741</b>    | <b>100.00</b>                    |

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.04.20.

^This is an unlisted security and has been valued at the Manager's best assessment of their fair value.

\*Quoted on the Alternative Investment Market.



# MI Sterling Select Companies Fund

## Comparative Tables

### Change in net assets per unit

|  | Income Units    |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | 30.04.21<br>p   | 30.04.20<br>p   | 30.04.19<br>p   |
| <b>Opening net asset value per unit</b>        | 1,990.81        | 2,512.25        | 2,363.73        |
| Return before operating charges <sup>^</sup>   | 998.71          | 487.56          | 195.69          |
| Operating charges                              | -26.65          | -27.88          | -26.83          |
| Return after operating charges <sup>^</sup>    | 972.06          | -515.44         | 168.86          |
| Distributions                                  | -1.17           | -6.00           | -20.34          |
| <b>Closing net asset value per unit</b>        | <b>2,961.70</b> | <b>1,990.81</b> | <b>2,512.25</b> |
| <sup>^</sup> After direct transaction costs of | -3.71           | -7.62           | -1.71           |
| <b>Performance</b>                             |                 |                 |                 |
| Return after charges                           | 48.83%          | -20.52%         | 7.14%           |
| <b>Other information</b>                       |                 |                 |                 |
| Closing net asset value                        | £34,208,579     | £25,012,864     | £32,378,685     |
| Closing number of units                        | 1,155,032       | 1,256,419       | 1,288,830       |
| Operating charges                              | 1.15%           | 1.17%           | 1.10%           |
| Ongoing operating charges*                     | 1.13%           | 1.14%           | 1.10%           |
| Direct transaction costs                       | 0.16%           | 0.32%           | 0.07%           |
| <b>Prices</b>                                  |                 |                 |                 |
| Highest unit price                             | 2,986.69        | 2,699.22        | 2,638.59        |
| Lowest unit price                              | 1,962.52        | 1,623.49        | 2,168.46        |

|   | Accumulation Units |                 |                 |
|---|--------------------|-----------------|-----------------|
|   | 30.04.21<br>p      | 30.04.20<br>p   | 30.04.19<br>p   |
| <b>Opening net asset value per unit</b>         | 7,813.73           | 9,835.29        | 9,176.51        |
| Return before operating charges <sup>^</sup>    | 3,925.13           | -1,912.29       | 763.13          |
| Operating charges                               | -104.68            | -109.27         | -104.35         |
| Return after operating charges <sup>^</sup>     | 3,820.45           | -2,021.56       | 658.78          |
| Distributions                                   | -4.58              | -23.48          | -79.14          |
| Retained distributions on<br>accumulation units | 4.58               | 23.48           | 79.14           |
| <b>Closing net asset value per unit</b>         | <b>11,634.18</b>   | <b>7,813.73</b> | <b>9,835.29</b> |
| <sup>^</sup> After direct transaction costs of  | -14.56             | -29.89          | -6.64           |
| <b>Performance</b>                              |                    |                 |                 |
| Return after charges                            | 48.89%             | -20.55%         | 7.18%           |
| <b>Other information</b>                        |                    |                 |                 |
| Closing net asset value                         | £15,809,162        | £11,550,585     | £14,960,070     |
| Closing number of units                         | 135,885            | 147,824         | 152,106         |
| Operating charges                               | 1.15%              | 1.17%           | 1.10%           |
| Ongoing operating charges*                      | 1.13%              | 1.14%           | 1.10%           |
| Direct transaction costs                        | 0.16%              | 0.32%           | 0.07%           |
| <b>Prices</b>                                   |                    |                 |                 |
| Highest unit price                              | 11,732.30          | 10,594.16       | 10,243.81       |
| Lowest unit price                               | 7,705.26           | 6,372.04        | 8,453.54        |

Operating charges include indirect costs incurred in the maintenance and running of the Fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within this table have been calculated against the average Net Asset Value for the accounting year.

\*The net asset value of the Fund has increased by more than 10% if compared to the average net asset values for the year. Taking an average of the daily Net Asset Values for the last month of the year has the effect of decreasing the operating charges by 0.20%. The AUTM believes this to be more representative of the charges going forward.

## Comparative Tables

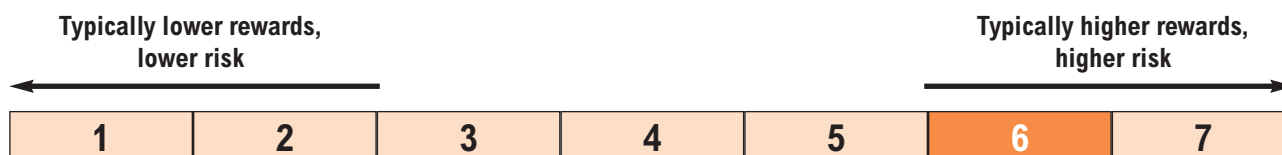
continued

The return after charges is calculated as the closing Net Asset Value per unit plus the distributions on income shares minus the opening Net Asset Value per share as a % of the opening net asset value per unit. The basis of valuation of investments used to calculate net asset value per unit is described in notes to the Financial Statements 1h) and complies with requirements of the current Statement of Recommended Practice for UK Authorised Funds. This differs from the basis used to calculate daily published single prices, in which listed investments are valued at 10:00 mid prices.

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting period. The figures used within the table have been calculated against the average Net Asset Value for the accounting period.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is ranked at 6 because funds of this type have experienced high rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Fund:

- Smaller company shares, including AIM companies, can be riskier as they may be more difficult to buy and sell and their share prices may fluctuate more than those of a larger company.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Fund's performance, potentially reducing your returns.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks however, that changes in currency exchange rates may cause the value of your investment to decrease and increase.
- For further risk information please see the prospectus.

## Risk warning

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

## Statement of the Authorised Unit Trust Manager's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ('the COLL Rules') requires the Authorised Unit Trust Manager (AUTM) to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund and of the net revenue and net gains or losses on the property of the Fund for the period.

In preparing the financial statements the AUTM is responsible for:

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

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

The AUTM is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial statements comply with the Sourcebook. The AUTM is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the AUTM is aware:

- there is no relevant audit information of which the Trust's Auditor is unaware; and
- the AUTM has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is aware of that information.

## Certification of the Annual Report by the Authorised Unit Trust Manager

This report has been prepared in accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("the COLL Sourcebook") and the Statement of Recommended Practice issued by the Investment Association.



**C. O'Keeffe**

**P.J. Foley-Brickley**

Directors

Maitland Institutional Services Limited

16 July 2021

### Statement of the Trustee's Responsibilities in Respect of the Fund and Report of the Trustee to the Unitholders of the MI Sterling Select Companies Fund ("the Trust") for the Year Ended 30 April 2021

The Trustee in its capacity as Trustee of the MI Sterling Select Companies Fund must ensure that the Fund 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 Fund and its investors.

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

The Trustee must ensure that:

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

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

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

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

#### **Northern Trust Global Services SE (UK Branch)**

UK Trustee and Depositary Services

16 July 2021

## Independent auditor's report to the unitholders of MI Sterling Select Companies Fund

### Opinion

We have audited the financial statements of MI Sterling Select Companies Fund (the 'Trust') for the year ended 30 April 2021. These financial statements comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, notes to the financial statements, including a summary of significant accounting policies, and the distribution tables.

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) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 30 April 2021 and of the net revenue and net capital gains/(losses) on the scheme property of the Trust for the year then ended, and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014, 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 Trust 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 are responsible for concluding on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Trust to cease or continue as a going concern.

In our evaluation of the Manager's conclusions, we considered the inherent risks associated with the Trust's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Manager and the related disclosures and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the Manager with respect to going concern are described in the 'Responsibilities of the Manager' section of this report.

### Other information

The 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.

### Independent auditor's report to the unitholders of MI Sterling Select Companies Fund continued

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.

#### **Opinion on other matters prescribed by the Collective Investment Schemes sourcebook**

In our opinion:

- 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, and
- the information given in the Authorised Unit Trust Manager's Report is consistent with the financial statements.

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

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

- proper accounting records for the Trust have not been kept, or
- the financial statements are not in agreement with those accounting records.

#### **Responsibilities of the Manager**

As explained more fully in the Statement of the Authorised Unit Trust Manager's Responsibilities, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 Manager is responsible for assessing the Trust'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 Manager either intends to wind up the Trust or to cease operations, or has no realistic alternative but to do so.

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

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

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

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

### Independent auditor's report to the unitholders of MI Sterling Select Companies Fund continued

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Trust and industry in which it operates. We determined that the following laws and regulations were most significant: Collective Investment Schemes Sourcebook, Investment Association Statement of Recommended Practice and UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. We enquired of management to obtain an understanding of how the Trust is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the breaches register. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Trust's operations, including the nature of its revenue sources, and of its objective to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement
  - the Trust's control environment, including the policies and procedures implemented to mitigate risks of fraud or non-compliance with the relevant laws and regulations
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the Trust operates
- We assessed the susceptibility of the Trust's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included checking completeness of journal entries and identifying and testing journal entries, in particular manual journal entries processed at the year-end for financial statements preparation. We also reviewed the financial statements disclosures and the corresponding supporting documentation.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

#### **Use of our report**

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
16 July 2021



## MI Sterling Select Companies Fund

### Statement of Total Return

for the year ended 30 April 2021

|  | Note | £         | 30.04.21<br>£     | £         | 30.04.20<br>£      |
|--|------|-----------|-------------------|-----------|--------------------|
| Income   |      |           |                   |           |                    |
| Net capital gains/(losses)   | 2    |           | 16,711,801        |           | (9,716,777)        |
| Revenue  | 3    | 379,883   |                   | 627,520   |                    |
| Expenses   | 4    | (463,465) |                   | (529,185) |                    |
| Interest payable and similar charges   | 4    | –         |                   | –         |                    |
| Net (expense)/revenue before taxation  |      | (83,582)  |                   | 98,335    |                    |
| Taxation   | 5    | –         |                   | –         |                    |
| Net (expense)/revenue after taxation   |      |           | (83,582)          |           | 98,335             |
| <b>Total return before distributions</b>   |      |           | <b>16,628,219</b> |           | <b>(9,618,442)</b> |
| Distributions  | 6    |           | (22,723)          |           | (112,854)          |
| <b>Change in net assets attributable to Unitholders from investment activities</b> |      |           | <b>16,605,496</b> |           | <b>(9,731,296)</b> |

### Statement of Change in Net Assets Attributable to Unitholders

for the year ended 30 April 2021

|   | £           | 30.04.21<br>£     | £                 | 30.04.20<br>£     |
|---|-------------|-------------------|-------------------|-------------------|
| <b>Opening net assets attributable to Unitholders</b>   |             |                   | <b>36,563,449</b> | <b>47,338,755</b> |
| Amounts receivable on issue of units  | 625,293     |                   |                   | 600,581           |
| Less: Amounts payable on cancellation of units  | (3,792,134) |                   | (1,684,811)       |                   |
|   |             | (3,166,841)       |                   | (1,084,230)       |
| Change in net assets attributable to Unitholders from investment activities (see Statement of Total Return above) |             | 16,605,496        |                   | (9,731,296)       |
| Retained distributions on accumulation units  |             | 6,278             |                   | 35,428            |
| Unclaimed distributions   |             | 9,359             |                   | 4,792             |
| <b>Closing net assets attributable to Unitholders</b>   |             | <b>50,017,741</b> |                   | <b>36,563,449</b> |

The notes on pages 16 to 24 form an integral part of these Financial Statements.



## MI Sterling Select Companies Fund

### Balance Sheet

as at 30 April 2021

|   | Notes | £         | 30.04.21          | £         | 30.04.20          | £ |
|---|-------|-----------|-------------------|-----------|-------------------|---|
| <b>ASSETS</b>                                 |       |           |                   |           |                   |   |
| <b>Fixed Assets</b>                           |       |           |                   |           |                   |   |
| Investments                                   |       |           | 47,024,469        |           | 30,752,046        |   |
| <b>Current Assets</b>                         |       |           |                   |           |                   |   |
| Debtors                                       | 7     | 11,311    |                   | 94,736    |                   |   |
| Cash and bank balances                        | 9     | 3,093,843 |                   | 6,349,353 |                   |   |
| <b>Total current assets</b>                   |       |           | <b>3,105,154</b>  |           | <b>6,444,089</b>  |   |
| <b>Total assets</b>                           |       |           | <b>50,129,623</b> |           | <b>37,196,135</b> |   |
| <b>LIABILITIES</b>                            |       |           |                   |           |                   |   |
| <b>Creditors</b>                              |       |           |                   |           |                   |   |
| Bank overdrafts                               | 9     | (49,997)  |                   | (14,161)  |                   |   |
| Other creditors                               | 8     | (61,885)  |                   | (618,525) |                   |   |
| <b>Total creditors</b>                        |       |           | <b>(111,882)</b>  |           | <b>(632,686)</b>  |   |
| <b>Total liabilities</b>                      |       |           | <b>(111,882)</b>  |           | <b>(632,686)</b>  |   |
| <b>Net assets attributable to Unitholders</b> |       |           | <b>50,017,741</b> |           | <b>36,563,449</b> |   |

The notes on pages 16 to 24 form an integral part of these Financial Statements.

## Notes to the Financial Statements

for the year ended 30 April 2021

### 1. Accounting Policies

#### (a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 and the Statement of Recommended Practice (“SORP”) for Financial Statements of UK Authorised Funds issued by the Investment Association (IA) in May 2014.

The financial statements have been prepared on the going concern basis.

The authorised status and head office of the Fund can be found within the general information starting on page 26.

The Certification of the Annual Report by the Authorised Unit Trust Manager can be found on page 9.

#### (b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following basis:

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

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

All revenue includes withholding taxes but excludes irrecoverable tax credits.

#### (c) Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

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

#### (d) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments are charged against revenue for the year on an accruals basis.

#### (e) Taxation

Corporation tax is provided at 20% on revenue, after deduction of expenses.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

#### (f) Distribution policy

The net revenue after taxation as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to Unitholders as dividend distributions. Any revenue deficit is funded from capital.

At the year end, there were no items of a capital nature.

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

Distributions not claimed within a six year period will be forfeited and added back to the capital of the Fund.

## Notes to the Financial Statements

continued

### 1. Accounting Policies (continued)

#### (g) Basis of valuation of investments

Listed investments are valued at close of business bid prices on the last business day of the accounting year excluding any accrued interest in the case of fixed and floating rate interest securities.

Unlisted or suspended investments are valued by the AUTM taking into account where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

Market value is defined by the SORP as fair value, which generally is the bid value of each security.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – Unadjusted quoted price in an active market for an identical instrument.
- Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.
- Level 3 – Valuation techniques using unobservable inputs.

#### (h) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

| <b>2. Net Capital Gains/(Losses)</b> | <b>30.04.21</b>   | <b>30.04.20</b>    |
|--------------------------------------|-------------------|--------------------|
|                                      | £                 | £                  |
| Non-derivative securities            | 16,717,238        | (9,718,626)        |
| Currency gains                       | –                 | 5,223              |
| Transaction charges                  | (5,437)           | (3,374)            |
| <b>Net Capital Gains/(Losses)</b>    | <b>16,711,801</b> | <b>(9,716,777)</b> |

| <b>3. Revenue</b>       | <b>30.04.21</b> | <b>30.04.20</b> |
|-------------------------|-----------------|-----------------|
|                         | £               | £               |
| UK dividends: Ordinary  | 364,444         | 614,473         |
| Overseas dividends      | –               | 13,034          |
| Bank interest           | –               | 13              |
| Underwriting commission | 15,439          | –               |
| <b>Total revenue</b>    | <b>379,883</b>  | <b>627,520</b>  |

# MI Sterling Select Companies Fund

## Notes to the Financial Statements

continued

| <b>4. Expenses</b>  | <b>30.04.21</b> | <b>30.04.20</b> |
|---|-----------------|-----------------|
|   | <b>£</b>        | <b>£</b>        |
| Payable to the Authorised Unit Trust Manager, associates of the Authorised Unit Trust Manager and agents of either of them: |                 |                 |
| Registration fees   | 11,782          | 11,303          |
| Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:                       |                 |                 |
| Investment Manager's fee  | 405,438         | 451,966         |
| Payable to the Trustee, associates of the Trustee and agents of either of them:   |                 |                 |
| Trustee's fee (including VAT)   | 12,125          | 16,156          |
| Safe custody and other bank charges   | 2,049           | 2,248           |
|   | 14,174          | 18,404          |
| Auditors remuneration:  |                 |                 |
| Audit fee (including VAT)   | 9,270           | 8,652           |
| Tax compliance services (including VAT)   | 1,916           | 1,854           |
|   | 11,186          | 10,506          |
| Other expenses:   |                 |                 |
| Legal fees  | 17,325          | 31,441          |
| Printing costs  | 3,560           | 5,565           |
|   | 20,885          | 37,006          |
| <b>Expenses</b>   | <b>463,465</b>  | <b>529,185</b>  |
| Interest payable and similar charges  | –               | –               |
| <b>Total</b>  | <b>463,465</b>  | <b>529,185</b>  |

# MI Sterling Select Companies Fund

## Notes to the Financial Statements

continued

| 5. Taxation   | 30.04.21<br>£ | 30.04.20<br>£ |
|---|---------------|---------------|
| (a) Analysis of charge in the year                  |               |               |
| <b>Total tax charge (note 5b)</b>                   | –             | –             |
| (b) Factors affecting taxation charge for the year: |               |               |
| Net (expense)/revenue before taxation               | (83,582)      | 98,335        |
| Corporation tax at 20%                              | (16,716)      | 19,667        |
| Effects of:   |               |               |
| UK dividends  | (72,889)      | (122,895)     |
| Movement in surplus management expenses             | 92,693        | 105,835       |
| Underwriting commission                             | (3,088)       | –             |
| Non-taxable overseas earnings                       | –             | (2,607)       |
| <b>Total tax charge (note 5a)</b>                   | –             | –             |

### (c) Deferred tax

At the year end there is a potential deferred tax asset of £1,678,204 (2020: £1,585,511) in relation to surplus management expenses of £8,391,023 (2020: £7,922,559). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

## 6. Distributions

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

|   |          | 30.04.21<br>£ | 30.04.20<br>£  |
|---|----------|---------------|----------------|
| Interim distribution                      | 31.10.20 | 20,246        | 111,288        |
| Final distribution                        | 30.04.21 | –             | –              |
|   |          | 20,246        | 111,288        |
| Revenue deducted on cancellation of units |          | 2,503         | 1,727          |
| Revenue received on issue of units        |          | (26)          | (161)          |
| <b>Distributions</b>                      |          | <b>22,723</b> | <b>112,854</b> |

### Reconciliation of net revenue after taxation to net distributions:

|  |               |                |
|--|---------------|----------------|
| Net (expense)/revenue after taxation per statement of total return | (83,582)      | 98,335         |
| Revenue deficit to be transferred from capital                     | 106,305       | 14,517         |
| Undistributed revenue brought forward                              | –             | 2              |
| Undistributed revenue carried forward                              | –             | –              |
| <b>Distributions</b>   | <b>22,723</b> | <b>112,854</b> |

# MI Sterling Select Companies Fund

## Notes to the Financial Statements

continued

| <b>7. Debtors</b>   | <b>30.04.21</b> | <b>30.04.20</b> |
|---|-----------------|-----------------|
|   | <b>£</b>        | <b>£</b>        |
| Amounts receivable on issues  | 11,146          | –               |
| Sales awaiting settlement   | –               | 14,742          |
| Accrued income:   |                 |                 |
| Dividends receivable  | –               | 79,833          |
| Prepaid expenses:   |                 |                 |
| Legal fee   | 165             | 161             |
| <b>Total debtors</b>  | <b>11,311</b>   | <b>94,736</b>   |
| <br>  |                 |                 |
| <b>8. Other Creditors</b>   | <b>30.04.21</b> | <b>30.04.20</b> |
|   | <b>£</b>        | <b>£</b>        |
| Amounts payable on cancellations  | –               | 67,697          |
| Purchases awaiting settlement   | –               | 470,500         |
| Accrued expenses:   |                 |                 |
| Amounts payable to the Authorised Unit Trust Manager, associates of the Authorised Unit Trust Manager and agents of either of them: |                 |                 |
| Registration fees   | 1,175           | 800             |
| Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:                       |                 |                 |
| Investment Manager's fee  | 44,447          | 28,840          |
| Amounts payable to the Trustee, associates of the Trustee and agents of either of them:   |                 |                 |
| Trustee's fee (including VAT)   | 2,005           | 6,558           |
| Safe custody and other bank charges   | 1,672           | 4,936           |
|   | 3,677           | 11,494          |
| Auditors remuneration:  |                 |                 |
| Audit fee (including VAT)   | 9,270           | 8,652           |
| Tax compliance services (including VAT)   | 1,916           | 1,854           |
|   | 11,186          | 10,506          |
| Other accrued expenses:   |                 |                 |
| Legal fees  | –               | 25,752          |
| Printing costs  | 1,400           | 2,936           |
|   | 1,400           | 28,688          |
| <b>Total other creditors</b>  | <b>61,885</b>   | <b>618,525</b>  |

## Notes to the Financial Statements

continued

| <b>9. Cash and Bank Balances</b> | <b>30.04.21</b>  | <b>30.04.20</b>  |
|----------------------------------|------------------|------------------|
|                                  | £                | £                |
| Cash and bank balances           | 3,093,843        | 6,349,353        |
| Overdraft positions              | (49,997)         | (14,161)         |
| <b>Cash and bank balances</b>    | <b>3,043,846</b> | <b>6,335,192</b> |

### 10. Related Party Transactions

Maitland Institutional Services Limited (MISL) is regarded as a related party by virtue of having the ability to act in respect of the operations of the Fund in its capacity as the Authorised Unit Trust Manager.

Authorised Unit Trust Manager and other fees payable to MISL are disclosed in note 4 and amounts due at the year end are shown in note 8.

Fees payable to Thornbridge Investment Management LLP (the Investment Manager) are disclosed in note 4 and amounts due at the year end are shown in note 8.

Amounts receivable on issue and payable on cancellation of units and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

### 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2020: none).

### 12. Risk Management Policies and Disclosures

In pursuing its investment objectives, the Fund may hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Fund's operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

In doing so, the AUTM accepts market price risk in relation to the investment portfolio.

The risks arising from financial instruments and the AUTM's policies for the monitoring and managing of these risks are stated below in accordance with the Risk Management Policy of the AUTM.

These policies have been consistent for both years through which these financial statements relate.

#### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested. Investors should consider the degree of exposure of the Fund in the context of all their investments.

The Fund's investment portfolio is exposed to market price fluctuations, which are monitored by the Fund as per the policies as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Fund will be exposed.

At the balance sheet date, if the price of the investments held by the Fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Unitholders would increase or decrease by approximately £4,702,447 (2020: £3,075,205).

## Notes to the Financial Statements

continued

### 12. Risk Management Policies and Disclosures (continued)

#### Currency risk

The Fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Fund are not affected by currency movements.

#### Interest rate risk

Interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes. The majority of the Fund's assets comprise equity shares which neither pay interest nor have a maturity date.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Stress testing and scenario analysis is carried out on a regular basis.

#### Credit risk

Credit risk arises from the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

There are no net borrowings. Stress testing and scenario analysis is carried out on a regular basis.

#### Liquidity risk

Liquidity risk is the risk that a Fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, the Fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Fund, the Fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy or following a large issue of units.

The AUTM manages the Fund's cash to ensure they can meet their liabilities. In addition, the AUTM monitors market liquidity of all securities, seeking to ensure the MI Sterling Select Companies Fund maintains sufficient liquidity to meet known and potential redemption activity. The Fund's cash balances are monitored daily by the AUTM. All of the Fund's financial liabilities are payable on demand or in less than one year.

MISL conducts regular monitoring to ensure the liquidity profile of the Fund's investments comply with their underlying obligations, particular their ability to meet redemption request.

Stress tests are undertaken, under normal and exceptional liquidity conditions, in order to assess the liquidity risk of each fund.

#### Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Fund has fulfilled its responsibilities which could result in the Fund suffering a loss. The Investment Manager minimises the risk by conducting trades through only the most reputable counter parties.

#### Fair value of financial assets and liabilities

Investments disclosed as at the balance sheet date are at fair value. Current assets and liabilities disclosed in the balance sheet are at amortised cost which is approximate to fair value.



Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

30.04.21

| Analysis of purchases                            | Total purchase cost<br>£ | Commissions paid<br>£ % | Taxes<br>£ % | Purchases before transaction cost<br>£ |
|--|--------------------------|-------------------------|--------------|--|
| Equities   | 33,788,232               | 6,065 0.02              | 34,893 0.10  | 33,747,274                             |
| Corporate Actions                                | (356,510)                | – 0.00                  | – 0.00       | (356,510)                              |
| <b>Total purchases after commissions and tax</b> | <b>33,431,722</b>        |                         |              |  |

| Analysis of sales                            | Net sale proceeds<br>£ | Commissions paid<br>£ % | Taxes<br>£ % | Sales before transaction cost<br>£ |
|--|------------------------|-------------------------|--------------|------------------------------------|
| Equities                                     | 33,876,537             | 24,082 0.07             | 162 0.00     | 33,900,781                         |
| <b>Total sales after commissions and tax</b> | <b>33,876,537</b>      |                         |              |                                    |

Commission as a % of average net assets 0.07%  
Taxes as a % of the average net assets 0.09%

30.04.20

| Analysis of purchases                            | Total purchase cost<br>£ | Commissions paid<br>£ % | Taxes<br>£ % | Purchases before transaction cost<br>£ |
|--|--------------------------|-------------------------|--------------|--|
| Equities   | 28,600,269               | 20,430 0.07             | 101,969 0.36 | 28,477,870                             |
| Corporate Actions                                | 487,058                  | – 0.00                  | – 0.00       | 487,058                                |
| <b>Total purchases after commissions and tax</b> | <b>29,087,327</b>        |                         |              |  |

| Analysis of sales                            | Net sale proceeds<br>£ | Commissions paid<br>£ % | Taxes<br>£ % | Sales before transaction cost<br>£ |
|--|------------------------|-------------------------|--------------|------------------------------------|
| Equities                                     | 31,420,884             | 18,012 0.06             | 72 0.00      | 31,438,968                         |
| <b>Total sales after commissions and tax</b> | <b>31,420,884</b>      |                         |              |                                    |

Commission as a % of average net assets 0.09%  
Taxes as a % of the average net assets 0.23%

Commissions and taxes as a % of the average net assets form part of the direct transaction costs stated within the comparative tables on page 7. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

# MI Sterling Select Companies Fund

## Notes to the Financial Statements

continued

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 April 2021 is 2.03% (2020: 3.37%).

### 15. Events after the Balance Sheet date

From the 12 July Roitte has been value at zero by the Fair Value Committee which resulted in a decrease in the NAV by £104,810.

### 16. Fair Value Disclosure

| Valuation technique    | 30.04.21          |                  | 30.04.20          |                  |
|------------------------|-------------------|------------------|-------------------|------------------|
|                        | Assets<br>£       | Liabilities<br>£ | Assets<br>£       | Liabilities<br>£ |
| Level 1 <sup>^</sup>   | 46,919,659        | –                | 30,647,236        | –                |
| Level 2 <sup>^^</sup>  | –                 | –                | –                 | –                |
| Level 3 <sup>^^^</sup> | 104,810           | –                | 104,810           | –                |
|                        | <b>47,024,469</b> | <b>–</b>         | <b>30,752,046</b> | <b>–</b>         |

<sup>^</sup>Level 1: Unadjusted quoted price in an active market for an identical instrument.

<sup>^^</sup>Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

<sup>^^^</sup>Level 3: Valuation techniques using unobservable inputs.

A reconciliation of fair value measurements in Level 3 is set out in the following table.

|   | 30.04.21       | 30.04.20       |
|---|----------------|----------------|
| Opening Balance   | 104,810        | 321,120        |
| Purchases   | –              | –              |
| Sales   | –              | –              |
| Total gains or losses included in the net capital gains in the Statement of Total Return: |                |                |
| on assets sold  | –              | –              |
| on assets held at year end  | –              | (216,310)      |
| <b>Closing Balance</b>  | <b>104,810</b> | <b>104,810</b> |

### 17. Unitholders Funds

|                                | Income           | Accumulation   |
|--------------------------------|------------------|----------------|
| Opening number of units        | 1,256,419        | 147,824        |
| Units issued                   | 3,436            | 4,806          |
| Units cancelled                | (104,823)        | (16,745)       |
| <b>Closing number of units</b> | <b>1,155,032</b> | <b>135,885</b> |

## MI Sterling Select Companies Fund

### Distribution Tables

for the year ended 30 April 2021

#### Income Unit Distribution

| Distribution | Units   | Net revenue<br>p | Equalisation<br>p | Distribution paid/payable<br>2021<br>p | Distribution paid<br>2020<br>p |
|--------------|---------|------------------|-------------------|--|--------------------------------|
| Interim      | Group 1 | 1.1697           | –                 | 1.1697                                 | 6.0000                         |
|              | Group 2 | 1.1081           | 0.0616            | 1.1697                                 | 6.0000                         |
| Final        | Group 1 | –                | –                 | –                                      | –                              |
|              | Group 2 | –                | –                 | –                                      | –                              |

#### Accumulation Unit Distribution

| Distribution | Units   | Net revenue<br>p | Equalisation<br>p | Amount reinvested<br>2021<br>p | Amount reinvested<br>2020<br>p |
|--------------|---------|------------------|-------------------|--------------------------------|--------------------------------|
| Interim      | Group 1 | 4.5842           | –                 | 4.5842                         | 23.4888                        |
|              | Group 2 | 3.9190           | 0.6652            | 4.5842                         | 23.4888                        |
| Final        | Group 1 | –                | –                 | –                              | –                              |
|              | Group 2 | –                | –                 | –                              | –                              |

Interim period: 01.05.20 - 31.10.20

Final period: 01.11.20 - 30.04.21

Group 1: Units purchased prior to a distribution period

Group 2: Units purchased during a distribution period

#### Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents accrued revenue included in the purchase price of the units. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the units for capital gains tax purposes.

## General Information

### Authorised Status

The MI Sterling Select Companies Fund (“The Scheme”) is an authorised unit trust scheme and UCITS scheme operating under chapter 5 of COLL. The Fund was established on 8 August 1963.

The Fund does not intend to have an interest in immovable property.

Unitholders are not liable for the debts of the Fund.

### Head Office

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY

### Address for Service

The Head Office is the address in the United Kingdom for service on the Fund of notices or other documents required or authorised to be served on it.

### Base Currency

The base currency of the Fund is Pounds Sterling.

### Units

The Fund may issue income and accumulation units.

Holders of Income units are entitled to be paid the revenue attributable to such units in respect of each annual accounting period in the currency of the relevant units.

Holders of Accumulation units are not entitled to be paid the revenue attributable to such units, but that revenue is retained and accumulated for the benefit of Unitholders and is reflected in the price of units.

### Valuation Point

The Fund property of the Fund will normally be valued at 10:00 on each dealing day for the purpose of calculating the price at which units in the Fund may be issued, sold, repurchased or redeemed.

For the purpose of the pricing of units, a business day is defined as a day on which the dealing office of the Manager is open for the buying and selling of units. The Manager may at any time during a business day carry out an additional valuation of the property of the Fund if the Manager considers it desirable to do so, with the Trustee’s approval.

### Buying, Redeeming and Switching of Units

The Manager will accept orders for the purchase, sale and switching of units on normal business days between 08:30 and 16:30. Instructions to buy or sell units may either be in writing to:

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY

Or by telephone to:

0345 305 4213

The Manager has the right to establish facilities for recording telephone calls made or received on this telephone line.

A contract note giving details of the units purchased will be issued no later than the next business day after the business day on which an application to purchase units is received and instrumented by the Manager. Certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the register of Unitholders.

## General Information

continued

### Pricing Basis

There is only a single price (i.e. the same price for buying and selling) for each class of units.

The price of a unit is based on unit's proportionate interest in the property of the Trust. The Trust's property is valued at 10am on every business day on the basis described in the prospectus.

Dealings are on a forward pricing basis. This means that requests to buy or sell units are carried out at the next valuation point following the request.

The prices of units are published daily on [www.maitlandgroup.com](http://www.maitlandgroup.com). Neither the AUTM nor the Trust can be held responsible for any errors in the publication of the prices. The units in the Trust will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

### Other Information

Copies of the Trust Deed and of any Supplemental Deeds of the Trust, the Prospectus and the most recent annual and half-yearly reports may be inspected at the head office of the AUTM at the address set out in the Directory and copies may be obtained free of charge upon application.

Unitholders who have complaints about the operation of the Fund should in the first instance contact the Manager, or, following that, may make their complaint direct to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

### AUTM Value Assessment

The AUTM is required to provide an annual statement for the Fund, attesting that in the opinion of the AUTM the services provided to the Trust and any fees chargeable to the scheme property represent value for money, taking into account the following criteria as set out by the Regulator under COLL 6.6.20R:

- Quality of Service
- Performance
- Economies of Scale
- Comparable Services and Market Rates
- Classes of units

This statement references services provided directly by the AUTM and those services delegated by the AUTM to third parties such as, but not limited to, investment management, depositary services, custody and settlement, audit provision, legal services, printing services, KIID production and maintenance, and other costs as may be set out or allowable in the scheme documentation.

### Investment Management Fees

The investment management function is delegated to an FCA authorised, professional investment management firm. The Investment Manager provides an active investment management service consistent with the Investment Policy and Objective set out within the scheme documentation.

The fees of the Investment Manager represent the largest cost to the Fund, are clearly set out within the scheme documentation, and are consistent with the market rates for other professional investment managers for hire providing comparable services.

The investment management fees may vary by unit class reflecting the size of the minimum investment into that unit class, with the objective of providing economies of scale for larger investors.

### Services Provided by the AUTM

The AUTM fees are regularly reviewed against prevalent market rates for a professional AUTM for hire taking into account the complexity and risk profile of the Fund. The AUTM's fees are clearly set out in the scheme documentation and are tiered based on the overall value of the Fund to reflect economies of scale.

## General Information

continued

### Services Delegated by the AUTM

Services delegated by the AUTM are provided by professional entities for hire appointed on an arm's length basis. Delegates are appointed under competitive tender and their services are regularly reviewed and benchmarked by the AUTM to ensure that they are consistent with services provided by other similar professional entities for hire. When appointing or reviewing delegates the AUTM takes into account the quality of the services provided, the performance of the appointed entity over a period of time and, that the costs of the service provided take into account any economies of scale that may be available to funds of a similar size or complexity.

### Summary

It is the opinion of the AUTM that the fees charged to the scheme property of the Trust represent value for money for investors taking into account the criteria set out by the Regulator.

### Remuneration of the Authorised Unit Trust Manager

The AUTM is subject to a remuneration policy which meets the requirements of the Undertakings for Collective Investment in Transferable Securities Directive (UCITS) as set out in SYSC 19E of the FCA Handbook.

The policy is designed to ensure practices for employee remuneration are consistent with, and promote, sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instrument of incorporation of the funds managed, and does not impair the AUTM's compliance with its duty to act in the best interests of the funds it manages.

The AUTM has reviewed the Remuneration Policy and its application in the last year which has resulted in no material changes to the policy or irregularities to process.

This disclosure does not include portfolio management activities as these are undertaken by various third party investment managers appointed by the AUTM. The investment manager is required to make separate public disclosure as part of their obligations under the Capital Requirements Directive.

The AUTM is required to disclose the total remuneration it pays to its staff during the financial year of the fund, split into fixed and variable remuneration, with separate aggregate disclosure for staff whose actions may have a material impact to the risk profile of a fund or the AUTM itself. This includes executives, senior risk and compliance staff and certain senior managers.

|   | Number of Beneficiaries | Fixed      | Variable | Total      |
|---|-------------------------|------------|----------|------------|
| Total remuneration paid by the AUTM during the year         | 91                      | £5,891,604 | 0        | £5,891,604 |
| Remuneration paid to employees who are material risk takers | 4                       | £954,218   | 0        | £954,218   |

Further information is available in the AUTM's Remuneration Policy Statement which can be obtained from [www.maitlandgroup.com](http://www.maitlandgroup.com) or, on request free of charge, by writing to the registered office of the AUTM.

### AUTM Statement Regarding COVID-19

Notwithstanding the challenges arising from the impact of the COVID-19 virus, the AUTM continues to operate, administer and price the Fund in accordance with FCA regulatory requirements and in accordance with relevant accounting standards. At the time of writing, investment markets are experiencing high levels of daily volatility and it is likely that this volatility will continue for the foreseeable future.

The AUTM will continue to monitor fund liquidity and market volatility to ensure the Fund is managed in the best interests of unitholders and to ensure that the Fund remains a going concern. Where appropriate the AUTM will value assets on a "fair value" basis in accordance with the Regulations.

As stated in the Prospectus, the Fund should be considered as a long-term investment and the AUTM emphasises the importance for investors to seek professional advice when considering their investment in the Fund.

## General Information

continued

### Risk Warning

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

# Maitland Institutional Services Limited

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