



## **YFS Sterling Select Companies Fund**

Interim Report including long form financial statements  
for the six months ended 31 October 2023

## Introduction and contents

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## Authorised status

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The YFS Sterling Select Companies Fund (the Fund) is a standalone authorised unit trust. It was established by a Trust Deed dated 8 August 1963 (as amended from time to time) and the duration of the Fund is unlimited.

The Trust is a UCITS which complies with the requirement of the FCA COLL, including the investment and borrowing powers in Chapter 5.

Unitholders are not liable for the debts of the Trust. A unitholder is not liable to make any further payment to the Trust after he has paid the price of the purchase of the units.

## Trust information

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### Investment objective and policy

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

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 a 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.

As set out in the investment policy, the Fund is an equity fund with a bias towards seeking out small and medium sized companies which in the Investment Manager's opinion represent attractive investment opportunities.

Despite its focus, in making any particular investment, the Fund is not constrained by any market capitalisation or geographic requirements, in order for the Investment Manager to be able to select equity investments which it thinks appropriate. The smaller and medium sized companies which the Investment Manager will consider will be those thought to be high quality differentiated businesses alongside consideration to profitability, assets and potential for future growth and those bought at reasonable valuations.

Investments in money market instruments or other collectives may be undertaken to protect value for unitholders in circumstances such as the target set of companies are overvalued or there is a risk expropriation or such situations outside our control. In addition, at any time, the Fund may also invest in other transferable securities (such as, but not limited to, bonds, collateralised debt obligations, and investment companies), as well as in units in other collective investment schemes which may include those managed by the Manager or the Investment Manager.

Derivatives may be used for efficient portfolio management purposes.

A Glossary of Definitions which provides definitions to some of the technical language used in this document is available from [www.yealand.com/policies](http://www.yealand.com/policies).

## Trust information (continued)

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### Comparator benchmark

To gauge the relative performance of the Fund, unitholders may compare the Fund's performance against the Investment Association's UK Smaller Companies Sector. This is not a performance target nor constrains the way in which the Trust is managed. For further information on the Sector and its intended use, please refer to the Trust's Prospectus.

### Target market

For the purposes of MiFID II - the legislative framework known as MiFID II as implemented in the UK, we have prepared the following description of the Fund's target market.

Type of clients: retail, professional clients and eligible counterparties (subject to the applicable legal and regulatory requirements in the relevant jurisdiction).

Clients' knowledge and experience: investors with at least basic knowledge and experience of funds which are to be managed in accordance with a specific investment objective and policy.

Clients' financial situation with a focus on ability to bear losses: investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets, including having the ability to bear 100% capital loss.

Clients' risk tolerance and compatibility of risk/reward profile of the product with the target market: due to the volatility of markets and specific risks of investing in shares in a fund (including those set out in the risk warnings in this Prospectus), investors should have a high risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of higher returns.

Clients' objectives and needs: investors should be seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with the specific investment objective and policy of the Fund.

Clients who should not invest: shares in the Fund are deemed incompatible for investors which:

- are looking for full capital protection or full repayment of the amount invested and
- clients who want a guaranteed return (whether income or capital)
- are fully risk averse/have no risk tolerance
- need a fully guaranteed income of fully predictable return profile.

Distribution channel: This product is eligible for all distribution channels (e.g., investment advice, portfolio management, non-advised sales and pure execution services).

### Investment manager

The investment manager to the Trust is Sterling Investment Management Limited.

### Authorised Fund Manager's fee

The total AFM fee is 1% plus dealing fees.

### Distribution

Unitholders may own accumulation and/or income units, which entitle them to a share in any allocation/distribution of income made by the Trust. Distribution dates are last business days of June and December for income accrued as at 30 April and 31 October respectively. Net income due on accumulation units is reinvested and reflected in the unit price.

Future distributions may fluctuate depending on the mix of assets over any specific reporting period.

## Investment manager's report for the six months ended 31 October 2023

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After the recent tragic events in the Israel-Hamas war and the ongoing Russia-Ukraine conflict, at a domestic level, the key conversation over recent months has been the ongoing rise of UK interest rates. The impact this is having on both consumer spending and the property market should not be underestimated – with no fewer than 14 increases in a row by the Bank of England it has been a period of joy for savers at least, less so for the heavily indebted. Though the days of ‘cheap’ money may well be behind us (and the need to bring down inflation was largely the reason for the hikes), it is the concern that rates will stay ‘higher for longer’ which has spooked investors.

As the global economy slows, we have seen a sell-off in government bonds on global markets. Yields on benchmark 10-year US Treasuries topped 5% in October – their highest level since the 2008 financial crisis. Meanwhile, in the UK, 30-year gilt yields hit a 25 year-high of 5.115%. The UK has seen a devaluation of equities, most markedly in the small cap space as some investors have exited for a so called ‘flight to liquidity’.

A recent report on AIM by broker Allenby Capital confirmed that the hoped for recovery in the UK IPO market failed to transpire in 2023. Last year £2.4bn was raised on AIM but in the 9 months to 30 September 2023 just £1.2bn has been raised – which makes it look set to be the quietest year since 2002 when £1bn was raised. At the other end of the spectrum, we have witnessed the ongoing heavy interest by private equity houses in snapping up unloved UK companies. Even though the median bid premium this year has been 47% we believe too many stocks are being sold too cheaply.

Over the six-month period, the Fund lost 5.8% (based on dealing prices) versus the IA UK Smaller Companies, which was down 10.7%. The FTSE AIM is down 17% and many stocks have simply halved. We are never happy to go backwards and are never fooled by this relative outperformance, it means nothing. That does not mean we are more stressed and lose any sense of control. We do not jump in and out of stocks (those are not good signs for any money manager) and our trading activity would be better classified as *non-trading* activity. In the last six months, we have undertaken nil trades in May, one trade in June, nil trades in July and four trades in each month of August, September and October. We probably are less active than many retail investors!

This should not be read as a *lack of care* or being distracted. Team Sterling is focused on one activity – that of *investing*. Trust us, it is not exactly fun to operate in a bear market. Everyone wants the market to (always) go up but to enjoy the upside of a bull market it is important to remain invested – and invest even more at lower prices which the bear market presents.

Easier said than done. We acknowledge the psychological pain we are amidst but we remain disciplined and review each company, one at a time, for their strengths and weaknesses – in the new economic regime. We stick to a plan and do not react to headlines driven by short term sentimental news. Investors expect us to have a firm resolve and mental maturity.

Let's review some companies and portfolio action:

Over the last few years, the management of Liontrust executed some superb acquisitions which the market acknowledged and rewarded a fantastic re-rating. We benefited from that appreciation. And then the inevitable happened. They pursued a multi-jurisdiction £20 billion asset manager called GAM which was making \$150m losses, thanks to bloated costs. During a down market, when any Fund house experiences a lower fee income on lower assets, the market punished Liontrust more than usual. Thankfully, existing shareholders of GAM opposed the transaction and the deal is now off the table – not before costing Liontrust around £15m in legal and other advisory fees. Though this figure is serious everything in life is relative. We take £15m to be a ‘small’ price to escape a transaction which would have cost more to execute. It was all too complicated, beyond the scope of this commentary. Simply put, some acquisition battles are won, by losing.

Robert Walters worked at Michael Page (now PageGroup) as one of its first employees before he started his own recruitment firm. The business was started in 1985 in Central London and now has 4,300 employees across 31 countries. No one in the UK recruitment industry has been able to create a firm of such scale and success. Robert is special but has now announced his retirement and so did his first-class CFO. We wish Robert a relaxed retirement and also bid goodbye to our holding.

**Investment manager's report**  
for the six months ended 31 October 2023  
(continued)

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Savills, the property experts now face some very unusual circumstances. High interest rates change the economics of all commercial real estate such as office buildings, warehouses, buy-to-lets and student accommodation. While a lack of transactions has meant dramatic reductions in fee income, Savills cost base has not been adjusted fast enough. We have sold before more headwinds and profit warnings are announced.

We are *not* a buy and forget investor; we regularly evaluate companies and are constantly learning. When facts change, we change our mind and sell or prune our position. What does not change is our focus on leadership that is competent and one we admire and trust.

It is fair to say, we have suffered from at least three proper shocks, in the last few years and that excludes 'recession' if that is on the way. We have added two new financial names to the portfolio both run by judicious managements. We are facing turbulent weather conditions and no less than Captain Sully Sullenberger would do. Our approach is one of caution and hence we are phasing our purchases.

Smaller companies have been de-rated across the board and almost no one has been spared.

This has set a nice low base and attractive valuation opportunity. It is an open secret: small caps have outperformed large caps over decades – across geographies. It is not that big companies are bad but they often have too many passengers and old baggage. Competition is intensive and demands that companies *change with the changing times*. Small companies are often nimble like speedboats, and unlike tankers, easier to manoeuvre.

During the period the Fund achieved a significant milestone – reaching its 60th birthday on 8 August 2023. The mantra is the same today as it was back then – invest in attractive, undervalued stocks which can generate alpha for our investors. Patience will always remain key and our holding period horizon is likely to stay the same. Unfortunately Charlie Munger, one of the most intelligent men of a generation, passed away on 28 November 2023 at the impressive age of 99. We have read, reread and learnt a ton from Charlie not only about investing but about human psychology, common sense, deserving before desiring. Charlie was a Grandad everyone wished to have because he was always about how to live a life and be a good human being.

To share just a few of his favourite musings:

- The big money is not in the buying or selling, but in the waiting.
- Spend each day trying to be a little wiser than you were when you woke up.
- The world is not driven by greed but by envy. But envy is really the most stupid sin because it's the only sin without any fun.

Very much based on his advice *we love what we do*. This passion gives us the energy to be motivated and focus on the task.

While we act as the new investment managers, we place on record our sincere thanks to team Yealand who have transitioned into their ACD and administrator role smoothly.

We wish our investors a prosperous 2024.

Thank you for your trust, it means a lot.

Team Sterling Investment Management.

For more information: [www.sterlingim.co.uk](http://www.sterlingim.co.uk)

PS. We are keen to provide investors with regular updates, through email, webinars, factsheets and even in-person meetings in time to come. Please register your interest or write to us at: [info@sterlingim.co.uk](mailto:info@sterlingim.co.uk)

*Sterling Investment Management Limited*  
30 November 2023

## Net asset value per unit, price record and comparative tables

### Change in net asset value per unit

All prices quoted are based on bid price

	Accumulation units			Income units		
	Six months ended	Year ended	Year ended	Six months ended	Year ended	Year ended
	31 October 2023	31 May 2023	31 May 2022	31 October 2023	31 May 2023	31 May 2022
	p	p	p	p	p	p
<b>Opening net asset value per unit</b>	<b>6,302.60</b>	<b>8,172.83</b>	<b>11,634.18</b>	<b>1,594.97</b>	<b>2,079.12</b>	<b>2,961.70</b>
Return before operating charges†	(426.47)	(1,844.74)	(3,348.97)	(107.92)	(440.32)	(852.21)
Operating charges	(11.43)	(25.49)	(112.38)	(11.43)	(25.49)	(28.60)
<b>Return after operating charges†</b>	<b>(437.90)</b>	<b>(1,870.23)</b>	<b>(3,461.35)</b>	<b>(119.35)</b>	<b>(465.81)</b>	<b>(880.81)</b>
Distributions on income units						
Interim	n/a	n/a	n/a	(22.79)	(13.09)	(1.77)
Final	n/a	n/a	n/a	-	(5.25)	-
<b>Total distributions on income units</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>(22.79)</b>	<b>(18.34)</b>	<b>(1.77)</b>
<b>Closing net asset value per unit</b>	<b>5,864.70</b>	<b>6,302.60</b>	<b>8,172.83</b>	<b>1,452.83</b>	<b>1,594.97</b>	<b>2,079.12</b>
Retained distributions on accumulation units						
Interim	90.52	51.44	6.96	n/a	n/a	n/a
Final	-	20.81	-	n/a	n/a	n/a
<b>Total retained distributions on accumulation units</b>	<b>90.52</b>	<b>72.25</b>	<b>6.96</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
†after direct transaction costs of	0.31	1.46	(4.01)	0.27	1.17	(1.02)

### Performance

Return after operating charges	(7.3)%	(22.9)%	(29.8)%	(7.3)%	(22.4)%	(29.7)%
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### Other information

Closing net asset value (NAV)	£6,793,675	£7,684,509	£10,518,222	£15,072,936	£17,222,502	£23,221,639
Closing number of units	115,840	121,926	128,697	1,037,491	1,079,804	1,116,898
Operating charges	1.12%	1.14%	1.12%	1.12%	1.14%	1.12%
Direct transaction costs	0.00%	0.02%	0.04%	0.02%	0.07%	0.04%

### Prices (p)

Highest	6,378.0	8,255.7	12,075.0	1,605.0	2,100.2	3,073.0
Lowest	5,884.0	6,190.0	7,762.0	1,480.0	1,565.0	1,974.0

### Key Investor Information Document (KIID) risk and reward profile

The numerical risk and reward Indicator as published in the latest KIID is in category 6 (2022: category 6). The unit classes are ranked in risk category 6 as its price has experienced much higher than average rises and falls historically.

For more information on the Fund risk and reward profile please refer to the most up to date KIID which is available at [www.yealand.com](http://www.yealand.com).

### Assessment of value report

We are required to undertake a formal review of the Trust in order to assess the value which unitholders are receiving from their investments. This assessment considers elements such as the fees which are paid, the quality of services provided and the investment performance obtained. We are required to publish a report which summarises the outcome of the review and, if relevant, to take steps to address any instances of poor value. We publish an Assessment of value report specific to each Yealand Fund by 31 January each year. Copies of these reports can be obtained from the Yealand website, via the document link on each respective Fund page [www.yealand.com/funds/](http://www.yealand.com/funds/).

## Approval of the interim report by the Authorised Fund Manager (AFM)

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In accordance with the requirements of a UCITS which complies with the FCA COLL Sourcebook as per COLL 4.5.8B R, I hereby approve the report on behalf of Yealand Fund Services Limited for the six months ended 31 October 2023.

*Rob Leedham  
On behalf of Yealand Fund Services Limited,  
the Authorised Fund Manager  
29 December 2023*

*Samuel Jackson  
On behalf of Yealand Fund Services Limited,  
the Authorised Fund Manager  
29 December 2023*



**Portfolio statement**  
 as at 31 October 2023

Holding	Investment	Market value £'000	% of total net assets
<b>EQUITIES - 87.73% (88.77%)</b>			
<b>Asia and Australasia - 4.68% (3.18%)</b>			
<b>Australia - 4.68% (3.18%)</b>			
1,000,000	Litigation Capital Management	978	4.47
2,006,020	Zoono Group	45	0.21
<b>Total Asia and Australasia</b>		<b>1,023</b>	<b>4.68</b>
<b>Emerging Markets - 1.12% (1.16%)</b>			
<b>Israel - 1.12% (1.16%)</b>			
17,425	Plus500	246	1.12
<b>Total Emerging Markets</b>		<b>246</b>	<b>1.12</b>
<b>Europe (ex UK) - 13.12% (12.32%)</b>			
<b>Channel Islands - 0.56% (0.61%)</b>			
19,000	JTC	121	0.56
<b>Ireland - 8.66% (6.36%)</b>			
9,966,084	Hvivo	1,894	8.66
<b>Switzerland - 3.90% (5.35%)</b>			
40,000	Coca-Cola HBC	853	3.90
<b>Total Europe (ex UK)</b>		<b>2,868</b>	<b>13.12</b>
<b>North America - 0.27% (1.29%)</b>			
<b>United States - 0.27% (1.29%)</b>			
119,310	Devolver Digital	30	0.14
342,500	Tinybuild	28	0.13
<b>Total North America</b>		<b>58</b>	<b>0.27</b>
<b>United Kingdom - 68.54% (70.82%)</b>			
50,350	Avon Rubber	430	1.97
760,361	Coats Group	514	2.35
39,291	Computacenter	1,008	4.61
355,730	Dr Martens	414	1.89
350,000	Equals Group	357	1.63
2,185,486	Esken	61	0.28
200,000	Foresight Group Holdings	724	3.31
600,000	Franchise Brands	786	3.59
100,001	GB Group	239	1.09
150,000	Hargreaves Services	624	2.85
1,552,500	HEIQ	186	0.85
70,950	Hill & Smith	1,169	5.35
37,148	Intermediate Capital Group	485	2.22
65,000	JET2	651	2.98
401,000	Johnson Service Group	512	2.34
115,855	Liontrust Asset Management	648	2.96
386,189	M&C Saatchi	471	2.15
52,154	MercadoLibre	821	3.75

**Portfolio statement**  
as at 31 October 2023  
*continued*

Holding Investment	Market value £'000	% of total net assets
<b>EQUITIES - 87.73% (88.77%) - continued</b>		
<b>United Kingdom - 68.54% (70.82%) - continued</b>		
158,596 Morgan Advanced Materials	357	1.63
183,727 NCC Group	196	0.90
6,842,590 Poolbeg Pharma	458	2.09
657,086 Premier Foods	770	3.52
44,600 Rotite	-	-
235,000 Sanderson Design	244	1.12
100,000 Serica Energy	233	1.07
198,430 SThree	696	3.18
455,591 Strix Group	264	1.22
375,000 Supreme	383	1.75
120,000 Team17 Group	318	1.46
1,100,000 Trufin	605	2.77
26,467 Victrex	364	1.66
<b>Total United Kingdom</b>	<b>14,988</b>	<b>68.54</b>
<b>TOTAL EQUITIES</b>	<b>19,183</b>	<b>87.73</b>
<b>Portfolio of investments</b>	<b>19,183</b>	<b>87.73</b>
<b>Net other assets</b>	<b>2,684</b>	<b>12.27</b>
<b>Net assets</b>	<b>21,867</b>	<b>100.00</b>

*Figures in brackets refer to the proportion of the Fund invested in the equivalent investments as at 30 April 2023.  
All equities are in ordinary stocks and shares except where otherwise stated.  
(Inc) relates to income shares/units.  
(Acc) relates to accumulation shares/units.*

**Summary of major portfolio changes**

*The total purchases and sales for the reporting period*

Purchases	Cost £'000	Sales	Proceeds £'000
Foresight Group Holdings	778	Coca-Cola HBC	344
Equals Group	368	Robert Walters	343
NCC Group	150	Savills	222
Coats Group	46	Anglo Pacific Group	132
		Devolver Digital	97
		Esken	57

**Statement of total return (unaudited)**  
 for the six months ended 31 October 2023

	31 October 2023		31 October 2022	
	£'000	£'000	£'000	£'000
Income				
Net capital losses		(2,117)		(7,428)
Revenue	491		379	
Expenses	(135)		(169)	
Interest payable and similar charges	-		-	
Net revenue before taxation	356		210	
Taxation	(8)		-	
Net revenue after taxation		348		210
Total return before distributions		(1,769)		(7,218)
Distributions		(349)		(210)
Change in net assets attributable to unitholders from investment activities		(2,118)		(7,428)

**Statement of change in net assets attributable to unitholders (unaudited)**  
 for the six months ended 31 October 2023

	31 October 2023		31 October 2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		24,907		33,740
Amounts receivable on issue of units	67		33	
Amounts payable on cancellation of units	(1,094)		(613)	
		(1,027)		(580)
Change in net assets attributable to unitholders from investment activities (see above)		(2,118)		(7,428)
Retained distribution on accumulation units		105		64
Unclaimed distributions		-		7
Closing net assets attributable to unitholders		21,867		25,803

**Balance sheet (unaudited)**  
 as at 31 October 2023

	<b>31 October 2023</b>	<b>30 April 2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets:</b>		
Investments	19,183	22,110
<b>Current assets:</b>		
Debtors	39	165
Cash and bank balances	2,904	2,718
	<u>2,943</u>	<u>2,883</u>
<b>Total assets</b>	<b><u>22,126</u></b>	<b><u>24,993</u></b>
<b>Liabilities:</b>		
<b>Provisions for liabilities</b>		
Net distributions payable on income units	(236)	(57)
Creditors	(23)	(29)
	<u>(259)</u>	<u>(86)</u>
<b>Total liabilities</b>	<b><u>(259)</u></b>	<b><u>(86)</u></b>
<b>Net assets attributable to unitholders</b>	<b><u>21,867</u></b>	<b><u>24,907</u></b>

## Notes to the financial statements (unaudited)

as at 31 October 2023

### Accounting policies

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, updated June 2017.

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

## Distribution tables

for the six months ended 31 October 2023 in pence per unit

### Accumulation units

#### Interim dividend

Group 1 units - Units purchased prior to 1 May 2023

Group 2 units - Units purchased from 1 May 2023 to 31 October 2023

	Net revenue	Equalisation	Allocation on 29 December 2023	Allocated on 30 December 2022
Group 1	90.5186	-	90.5186	51.4377
Group 2	4.6044	85.9142	90.5186	51.4377

### Income units

#### Interim dividend

Group 1 units - Units purchased prior to 1 May 2023

Group 2 units - Units purchased from 1 May 2023 to 31 October 2023

	Net revenue	Equalisation	Payable on 29 December 2023	Paid on 30 December 2022
Group 1	22.7917	-	22.7917	13.0863
Group 2	6.9010	15.8907	22.7917	13.0863

### Equalisation

This applies only to units purchased during the distribution period (Group 2 units). 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 income tax, but must be deducted from the cost of units for capital gains tax purposes.

## General information

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### Buying and selling units

On purchasing units, you will receive a contract note confirming your purchase, which will be issued the business day after the deal has been priced. As proof of ownership, your name will be recorded on the register following receipt of payment and full registration details.

The Trust is valued each business day at 10:00 a.m. The prices calculated at these valuations will determine the price at which your deal is transacted. The Trust is priced on a forward basis, i.e. all deals struck before the 10:00 a.m. valuation point receive prices calculated at that valuation point.

The current trust prices are available online at [www.yealand.com](http://www.yealand.com) (together with yield information) or at the registered office of the AFM. Also available from the website and AFM are the distribution information and the annual Key Investor Information Document (KIID), which includes risk and reward numerical indicators of the Trust. The full report and accounts are available free of charge from the AFM.

Subject to the COLL Rules, the basis upon which prices may be calculated and any discounts on the initial charge are at the discretion of the AFM.

The minimum value of Net Accumulation/Income Units which any one person can purchase initially is £1,000 with £1,000 subsequent minimum purchase value of additional Net Accumulation/Income Units. Units may be purchased or sold by telephoning 0345 850 0255 or writing to: Yealand Fund Services Limited, Stuart House, St John's Street, Peterborough, PE1 5DD. For your protection calls are recorded.

A contract note will be issued to confirm any sale of units with payment being issued on the third business day following the pricing of the sale and all necessary renunciation documentation being received by the AFM.

The dealing time for telephone deals is 09:00 - 17:00 every business day.

### AFM's approach to dilution

Unusually high levels of buying and selling may increase the Trust's dealing costs and affect the value of its assets. This is known as 'dilution'. To prevent this and to protect the interests of the majority of unitholders, the AFM at its discretion

may charge a dilution levy. If charged, the dilution levy will be paid into the Trust for the benefit of unitholders and will become part of the property of the Trust.

### Revenue

The Trust offers accumulation and income units which entitle shareholders to a share in any distribution of the revenue made by the Trust, less expenses and applicable taxation, provided they retain those units until and including the Fund's dividend dates i.e. 30 April and 31 October each year. Any revenue to be distributed to unitholders is paid out on the trust pay dates i.e. last day in June and last day in December each year. The revenue may be paid to unitholders directly to certain bank and building society accounts (BACS), by cheque or reinvested in the Fund.

### Tax

#### Capital gains

Authorised trusts are currently exempt from capital gains tax on the disposal of their investments. UK residents who are individuals or trusts may be liable to UK taxation of capital gains arising from the sale or other disposal of units in the Trust if their total gains from all sources exceed the exemption limit for the tax year in which the disposal takes place.

UK corporates will be subject to corporation tax on chargeable gains on profits made on the disposal of their units in the Trust.

#### Income tax

The following paragraphs summarise the basis of taxation on distributions, based on current legislation.

UK resident individuals are taxable on the sum of their distributions in excess of the tax-free dividend allowance of £1,000. Basic rate taxpayers pay 8.75% income tax on dividends received in excess of the dividend allowance, higher rate taxpayers pay 33.75% income tax, and additional rate taxpayers pay 39.35% income tax. The dividend allowance is not available to Trusts.

Potential investors are advised to seek professional advice.

**General information**  
*continued*

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**Corporate holders**

For corporate unitholders, where the gross income from which the dividend distribution is made is not wholly franked investment income, part of the distribution is received as an annual payment from which tax at a rate equal to the basic rate of income tax is deemed to have been deducted subject to the possible requirement, depending on the precise facts, to deal with part of this annual payment as having suffered a deduction which is treated as foreign tax.

Corporate unitholders will be subject to corporation tax on that payment but will be entitled to a credit for tax deemed to be deducted.

The amount of tax recoverable on dividends deemed to be annual payments will match the corporation tax paid by the Trust.

It should be noted that levels and bases of tax may be subject to change.

If investors are in any doubt as to their taxation position they should consult their professional advisor.

**Further information**

Further details of the Trust are included in the Prospectus, which is available upon request from: Yealand Fund Services Limited, Stuart House, St. John's Street, Peterborough PE1 5DD.

## Directory

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

Yealand Fund Services Limited  
Stuart House  
St. John's Street  
Peterborough  
PE1 5DD

Tel: 0345 850 0255

Fax: 01733 286833

Email: [enquiries@yealand.com](mailto:enquiries@yealand.com)

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

*(Authorised and regulated by  
the Financial Conduct Authority)*

### **Trust administration, dealing and registration**

Yealand Fund Services Limited  
Stuart House  
St. John's Street  
Peterborough  
PE1 5DD

Tel: 0345 850 0255

Fax: 01733 286833

Email: [TA@yealand.com](mailto:TA@yealand.com)

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

*(Authorised and regulated by  
the Financial Conduct Authority)*

### **Investment manager**

Sterling Investment Management Limited  
Lynwood House  
2-4 Crofton Road  
Orpington  
BR6 8QE

*(Authorised and regulated by the Financial Conduct Authority)*

### **Trustee**

NatWest Trustee and Depositary Services Limited  
Registered and Head Office:  
250 Bishopsgate  
London  
EC2M 4AA

*(Authorised and regulated by  
the Financial Conduct Authority)*

### **Auditor**

Shipleys LLP  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ