

# Maitland

MI Hawksmoor Open-Ended Investment Company

Annual Report 31 October 2017

# MI Hawksmoor Open-Ended Investment Company

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\*These collectively comprise the Authorised Corporate Director's Report.

## Directory

### Authorised Corporate Director (ACD) & Registrar

Maitland Institutional Services Ltd  
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW  
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

Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW  
Telephone: 0345 026 4283  
Fax: 0845 280 2425  
E-mail: [Hawksmoor@maitlandgroup.co.uk](mailto:Hawksmoor@maitlandgroup.co.uk)  
(Authorised and regulated by the Financial Conduct Authority)

### Directors of the Authorised Corporate Director

R. Ackermann (appointed 1 January 2017)  
P.J. Foley-Brickley  
S. Georgala  
D. Jones  
G. Kok (appointed 30 November 2017)  
R.W. Leedham (retired 19 December 2017)

### Investment Manager

Hawksmoor Investment Management Limited  
The Senate, Southernhay Gardens, Exeter, Devon EX1 1UG  
(Authorised and regulated by the Financial Conduct Authority)

### Fund Managers

Ben Conway  
Daniel Lockyer  
Richard Scott

### Depositary

Northern Trust Global Services Limited  
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

KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square, Canary Wharf, London E14 5GL

## Statement of the Authorised Corporate Director's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ('the COLL Rules') requires the Authorised Corporate Director ('ACD') to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net income and net gains or losses on the property of the Company for the year.

In preparing the financial statements the ACD 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 Management 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 Company's and its Sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or its Sub-funds 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 ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

## Certification of the Annual Report by the Authorised Corporate Director

In accordance with the requirements of the Regulations and COLL Sourcebook, we hereby certify the Report on behalf of the Company, Maitland Institutional Services Ltd.

**R. Ackermann**

**D. Jones**

Directors

Maitland Institutional Services Ltd

22 December 2017

## Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the MI Hawksmoor Open-Ended Investment Company - ('the Company')

for the year ended 31 October 2017

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

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

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

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company'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 Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

### **Northern Trust Global Services Limited**

UK Trustee and Depositary Services

22 December 2017

## Independent Auditor's Report to the Shareholders of MI Hawksmoor Open-Ended Investment Company - ('the Company')

We have audited the financial statements of the Company for the year ended 31 October 2017 which comprise the Statements of Total Return, the Statements of Changes in Net Assets Attributable to Shareholders, the Balance Sheets, the Related Notes and Distribution Tables for each of the Company's Sub-funds listed on pages 18 to 33 and 45 to 57 and the accounting policies set out on pages 20 to 21.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of each of the Sub-funds as at 31 October 2017 and of the net revenue/net deficit of revenue and the net capital gains/net capital losses on the property of each of the Sub-funds for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

### Basis for opinion

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

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

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

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

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

Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Authorised Corporate Director'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 under the COLL Rules we are required to report to you if, in our opinion:

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

## Independent Auditor's Report to the Shareholders of MI Hawksmoor Open-Ended Investment Company - ('the Company')

continued

### Authorised Corporate Director's responsibilities

As explained more fully in their statement set out on page 2 the Authorised Corporate Director is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company and its Sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or its Sub-funds or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Ravi Lamba

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London E14 5GL

22 December 2017

## Investment Objective and Policy

### Investment objective

The investment objective of the Sub-fund is to provide capital growth and income.

### Investment policy

The Sub-fund's portfolio will consist primarily of a diversified range of open and closed ended funds, although significant exposure to other investments such as fixed interest securities are expected to be included in the portfolio from time to time. The portfolio will be actively managed, with the Investment Manager seeking to take advantage of inefficiencies in the pricing of closed ended funds and significant movements in financial markets. Through its investments, the portfolio will be exposed to a range of asset classes, underlying currencies, geographic spread and holding funds managed by a variety of fund management groups and style of investment manager. The Company permits the use of derivatives for investment purposes by the Sub-fund; however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Sub-fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives.

## Investment Manager's Report

for the year ended 31 October 2017

### Performance Review and Income Distribution

Investor worries about political events were brushed aside with aplomb as major asset classes continued to make strong gains over the period under review. A plethora of elections, both planned and unexpected, failed to result in any significant market sell offs as central banks continued to inject money into the global financial system. Most developed government bond yields continued to fall and corporate bond spreads ground ever tighter, whilst many of the major stock market indices hit all-time highs. Against this backdrop, the Vanbrugh Fund generated strong positive returns in the year to 31 October 2017 and continued its good performance track record since the launch of the Sub-fund in February 2009. The Sub-fund achieved a total return of 8.6% over the year, compared to the 6.9% average performance of its peer group of funds in the IA Mixed Investment 20-60% Shares Sector. This placed the Sub-fund in the top quartile of its peer group for the period under review. The Sub-fund's outperformance relative to its peer group can largely be attributed to our continued endeavour to generate good risk-adjusted returns given the diminishing value offered by most investments relative to their risk. Analysis of the period shows that the outperformance of the peer group was generated by providing better downside protection during times when markets were going through more difficult periods, whilst capturing the majority of the upside when markets were stronger. The Sub-fund's performance was driven by positions in idiosyncratic investments that performed well regardless of the direction of mainstream financial assets. Meanwhile, the longer term performance remains excellent in both absolute and relative terms. Since launch on 18 February 2009 to 31 October 2017, the Vanbrugh Fund has achieved a total return of 155.4% compared with a return of 87.4% for the IA Mixed Investment 20-60% Shares Sector and is ranked 4 out of 75 funds in the IA Sector. The continued consistency and quality of the Sub-fund's performance since launch has meant the Sub-fund has maintained an 'A' rating awarded by multi-manager research specialist Scopic Research. The Sub-fund has also been rated '5 Diamond' by Defaqto, which is their highest rating.

We were delighted that Hawksmoor Fund Managers was awarded the Boutique Management Group of the Year (Multiple Strategies) by Investment Week at the end of the period. We are keen to stress that recognition in the form of ratings and awards is not the end of a journey, but rather a solid base from which to build on further.

For the six-month period to 31 October 2017, the Vanbrugh Fund generated income of 1.0495 pence per B income share (pps), going ex-dividend on 1 November with the income paid to income shareholders at the end of December 2017. This distribution together with the last dividend (1.0697 pps) amounts to an annualised yield of 1.59% based on the price at 1 November 2016. We remind investors that we are focused on maximising the Vanbrugh Fund's total return over the long-term with attention to the ever-evolving risks in the investment environment. In pursuing this strategy, the level of income will vary with an expectation that looking ahead over the next twelve months the Sub-fund's yield paid out to investors should be at least 1% of the price as at 1 November 2017. However, the MI Hawksmoor Distribution Fund is available for investors



## Investment Manager's Report

continued

wanting a higher income strategy and who are prepared to accept a greater level of risk with their investment, while continuing to access a similar investment philosophy.

*Source: Financial Express Analytics. All figures refer to the B Accumulation share class unless otherwise stated.*

### Market Review

The twelve months under review saw strong performance across all but a few financial asset classes. Indeed, only global inflation linked bonds and UK government inflation linked bonds delivered negative returns over the period. In a reversal of the weakness seen in sterling over the previous year in the aftermath of the UK's vote to leave the European Union, sterling strengthened against the major currencies, notably 8% versus the US dollar and 15% against the Japanese yen. Sterling's recovery significantly undermined the returns achieved from overseas assets over the year. The year under review was characterised by a number of important political events in both the developed and emerging world. Beginning with the election of Donald Trump as the 45th President of the United States on 9 November 2016 followed by a period that saw the Germans, Dutch, French, British and Japanese, the latter two following surprise election calls, go to the polls. There were also important Legislative Assembly elections in India, with Modi increasing his strength with victory in the important region of Uttar Pradesh, whilst in China, Xi Jinping reinforced his grip on the Premiership to such an extent that his name and ideas were written into the constitution, putting him on a level footing with the founding father of the People's Republic of China, Mao Zedong. The run up to many of the elections unsurprisingly increased uncertainty within markets, but a string of market favourable results continued to push mainstream asset values to ever higher levels. Our investment philosophy avoids us forecasting the results of such binary events or positioning the portfolio for a particular outcome such as an election result. Instead it ensures that the Vanbrugh Fund is always diversified across asset classes and currencies, combined with a rigorous focus on finding investments that offer us an attractive margin of safety.

In local currency terms, the best performing asset class globally was Japanese equities. Much of this strong performance was delivered following a surprise election call by Prime Minister Abe in September, an election he subsequently went on to win. Victory enables him to continue his economic reform programme that has seen vast improvements in the corporate governance of Japanese companies, resulting in much higher profitability and improved margins. All major equity markets delivered returns in excess of 20% in local currency terms, with it being a record breaking year for many markets with the S&P 500 delivering positive returns in every month of the year under review and many other markets making new all-time highs as global data and earnings were strong. It is worth reminding ourselves just how unusual these types of returns are. Equity markets historically have delivered 7% real returns annually. Since the Global Financial Crisis, boosted by unprecedented central bank intervention in global markets, returns have far outpaced this. This is not sustainable in the long term. Towards the end of the year under review, global central banks began to gradually move away from such accommodative policies. The Federal Reserve (Fed) announced that it would not be reinvesting the coupons of bonds it owns in the market and would simultaneously begin raising interest rates. The European Central Bank (ECB) announced a reduction in its bond buying programme from €60bn to €30bn a month, and the tone of the UK's own Monetary Policy Committee (MPC) became noticeably more hawkish as inflation picked up, culminating in the first rate rise in the UK for a decade on the 2 November 2017.

Global high yield bond markets continued to make strong gains, with the European market in particular doing exceptionally well. This resulted in the European high yield bond index yield falling to less than 2%. To put that into perspective, this was below the yield available on US 10 year government bonds. Meanwhile, many corporate and government bonds continued to trade at negative yields, meaning the purchase of such an asset would guarantee to lose you money if bought and held to maturity. The abundant liquidity brought about by quantitative easing has generated strong demand for financial assets. Corporates and governments alike have issued record levels of bonds and global debt levels as a result have continued to climb. Returns to lenders have continued to fall to an extent where bond holders are effectively paying to lend – a dynamic previously unimaginable in traditional economic theory. Our process means that we are not forced to own any area of the market we believe is too expensive. The true objective of any long term investor should be to deliver positive real returns after income and taxes, this is only possible by allocating capital to those areas that offer attractive valuations on entry point, and by avoiding those that do not.

## Investment Manager's Report

continued

### Portfolio Review

Portfolio activity during the twelve months under review centred on finding areas where we could identify a margin of safety, and which might be lowly correlated to falls in the prices of risk assets as valuations of mainstream asset classes continued to rise. Generally speaking, through the year, we have continued a trend we started at the end of 2013. We have continued to steadily reduce the Sub-fund's exposure to investments dependent on the general direction of mainstream assets and have sought out more idiosyncratic investment opportunities whose fortunes depend less on the backdrop of the global macroeconomy, political noise, or the tilt of monetary policy. Thus the Sub-fund's good performance over the period can be attributed to the excellent opportunities we have managed to uncover both within the past year and over a longer time horizon.

Much of our activity was conducted in the closed-ended investment trust universe. We use closed-ended vehicles to gain access to asset classes that cannot be accessed via the open-ended space such as private equity and loans, or to those that should not be, such as physical property. During the course of the year, a glut of new issuance came to market, particularly in the property space, driven in part by a hunger from the investment community for access to assets generating yields higher than those available on more traditional fixed interest assets like government bonds. Cognisant of this, we have been careful to support only the most attractive opportunities and add to existing positions in which we have had growing confidence, whilst reducing exposure to those where the margin of safety has diminished. We took part in the Initial Public Offerings (IPOs) of Civitas Social Housing REIT, LXi REIT, Impact Healthcare REIT, PRS REIT, AEW UK Long Lease REIT and Warehouse REIT during the course of the year. All offered something unique and attractive, from access to sectors with strong technical support like social housing and healthcare, to forward-funded developments and value additive strategies through LXi REIT and AEW UK Long Lease REIT. Existing holdings Custodian REIT and Target Healthcare REIT were sold after their prices moved to high premiums to Net Asset Value (NAV), whilst Civitas Social Housing REIT quickly moved to a high premium post IPO and was also disposed of for a healthy profit.

We introduced Taliesin Property to the Vanbrugh Fund, and also increased Phoenix Spree Deutschland on continued good momentum and attractive prospects for Berlin residential property at a time when it is becoming increasingly hard to find good opportunities. We see little to no value in traditional fixed interest, and have instead found opportunities in the investment trust space with the additions of ICG Longbow Senior Secured UK Property Debt and SQN Secured Income to Vanbrugh. SQN was later sold after a sharp discount narrowing following a corporate action. Other purchases in the investment trust space included taking part in the IPOs of Jupiter Emerging & Frontier Income Trust and Downing Strategic Micro-Cap Investment Trust. We have high regard for the managers of both trusts, and in the case of Downing we already owned the open-ended version of the fund managed by the same team. Dealing was not limited to the closed-ended universe. We took part in the launch of Polar Capital UK Value Opportunities, having previously invested in managers George Godber and Georgina Hamilton's Miton UK Value Opportunities fund. In May, we increased our exposure to those funds that we believe will offer good diversification benefits in the event of a market correction, topping up existing holdings in Jupiter Absolute Return, Old Mutual Global Equity Absolute Return and Henderson UK Absolute Return. BH Global, another fund we hope will provide uncorrelated returns in weak or volatile markets, was introduced later in the period to provide further diversification benefits.

In line with our process, disposal activity was focused on removing funds from the portfolio that had experienced a diminution of the margin of safety that had made them attractive in the first place. A good test, and one that we use often, is asking ourselves 'would we buy this fund today?'. If the answer is "no", we are forced into a deeper review. We reduced and then sold our position in Barings European High Yield Bond and sold Alcentra European Floating Rate Income after European yields fell to very unattractive levels as prices rose, and spreads dramatically tightened. Towards the end of the year, we also exited our position in Artemis European Opportunities in order to further reduce our mainstream equity market exposure to provide further downside protection in the event of a market correction. Our private equity holdings continued the good run which began in earnest during the previous period under review, but when valuations became stretched we took some profits from our positions in ICG Enterprise Trust and HgCapital Trust. We continue to favour having an allocation to private equity, an asset class that gives access to fast growing companies under the stewardship of some excellent managers that cannot be accessed via the public equity markets, but remain alert when valuations may have run too far ahead of fundamentals. We also sold River & Mercantile UK Micro Cap Investment Trust and Aberforth Smaller Companies Trust following periods of exceptional performance. We do not always get things right, and are willing to act when a fund has not performed in line with our expectations. Prusik Asia and Sanditon Investment Trust were both disposed of after lacklustre periods, such is the competition for places in the Sub-fund.

## Investment Manager's Report

continued

### Investment Outlook

The themes driving markets remain much the same as they have for some time, as investors continue to search for income in a low yield environment brought upon by the unprecedented central bank involvement that has been a boon to markets in the post- Great Financial Crisis era. Equity markets remain close to peak valuations by most measures, government bond yields are close to all-time lows across much of the developed world, and anomalies such as European high yield bonds yielding less than US Treasuries are beginning to appear with increasing regularity. Over the next few years, it looks likely that central bank intervention in markets will be reduced. The Fed is in the midst of a rate hiking cycle, the MPC has raised rates for the first time in a decade and the ECB has cut its bond purchasing programme in half. However, a dovish tone remains. In Europe, Mario Draghi has stated that he will continue to support markets. In the UK, Mark Carney has indicated the rate rise will not be the first of many in quick succession. Whilst in Japan, stimulus shows no signs of abating with Kuroda committed to keeping the 10 year Japanese government bond yield at 0%.

We have continued to reduce the exposure of the Sub-fund to the general direction of markets with a correspondingly higher allocation to funds designed to generate positive long term returns independently of markets. We continue to seek to ensure that the Sub-fund is well diversified with an increasing proportion of the portfolio designed to help defend capital during times of market stress. Whilst we believe that traditional asset classes are very richly valued, we continue to find attractive opportunities in niche, more idiosyncratic areas of the market. The fact that our strong performance over the year has coincided with a reduction in exposure to areas of the market that have performed best gives us confidence that we can continue to deliver on our aim of delivering positive real returns through the market cycle. We remain alert to changing market dynamics that may necessitate a different strategy, but would be surprised, however, if the past year's performance were to be repeated.

More information about The Vanbrugh Fund can be found on the Hawksmoor website [www.hawksmoorfm.co.uk](http://www.hawksmoorfm.co.uk) including monthly factsheets and commentaries which give more details of the investments in the portfolio and how they have changed over the year covered by this report. You will also find a link to our quarterly reports. If you would like to receive any of these documents on a regular basis and are not already doing so, please send an email to [hannah.isaac@hawksmoorfm.co.uk](mailto:hannah.isaac@hawksmoorfm.co.uk) and we will be pleased to add your email address to the distribution list.

We thank you for your support and interest in the Vanbrugh Fund.

Daniel Lockyer, Richard Scott, Ben Conway  
Hawksmoor Investment Management Ltd  
22 December 2017

## Portfolio Statement

as at 31 October 2017

Holding	Security	Market value £	% of total net assets 2017
<b>Absolute Return 13.15% (10.94%)</b>			
100,000	BH Global	1,337,000	1.09
2,500,000	Henderson UK Absolute Return - I Accumulation*	4,165,000	3.40
11,000,000	Jupiter Absolute Return - I Accumulation*	6,226,000	5.08
2,500,000	Old Mutual Global Equity Absolute Return - R GBP Hedged Accumulation*	4,376,000	3.58
		<b>16,104,000</b>	<b>13.15</b>
<b>Alternatives 4.15% (5.38%)</b>			
300,000	Polar Capital Global Convertible - I GBP Distribution*	2,394,000	1.95
3,500	RWC Global Convertibles - B GBP Income*	2,688,474	2.20
		<b>5,082,474</b>	<b>4.15</b>
<b>Biotechnology 1.31% (1.04%)</b>			
100,000	Polar Capital Biotechnology - I USD Income*	1,603,000	1.31
<b>Commodity 6.13% (6.47%)</b>			
80,000	Baring Global Resources - I GBP Accumulation*	1,256,000	1.02
1,600,000	CF Ruffer Gold - I Accumulation*	2,445,120	2.00
290,000	Old Mutual Gold & Silver - U1 GBP Accumulation*	3,807,352	3.11
		<b>7,508,472</b>	<b>6.13</b>
<b>Emerging Market Equity 1.13% (0.00%)</b>			
1,250,000	Jupiter Emerging & Frontier Income Trust	1,387,500	1.13
<b>European Equity 0.00% (2.18%)</b>			
<b>Far East Equity 3.98% (5.82%)</b>			
100,000	Guinness Asian Equity Income - Z GBP Distribution*	1,651,460	1.35
600,000	Hermes Asia Ex Japan Equity - F GBP Income*	1,318,800	1.08
1,850,000	India Capital Growth**	1,900,875	1.55
		<b>4,871,135</b>	<b>3.98</b>
<b>Fixed Interest 29.38% (25.22%)</b>			
20,000	Ashmore Emerging Markets Short Duration - Z GBP Income*	2,064,000	1.68
30,000	Ashmore Emerging Markets Total Return - I GBP Income*	3,006,300	2.45
32,500	Barings European High Yield Bond - A GBP Distribution*	3,471,650	2.83
1,991,880	GCP Asset Backed Income	2,086,494	1.70
1,500,000	GCP Infrastructure Investments	1,831,500	1.50
1,650,000	ICG-Longbow Senior Secured UK Property Debt Investments	1,691,250	1.38
2,750,000	M&G Global Macro Bond - I GBP Income*	3,565,650	2.91
3,500,000	M&G UK Inflation Linked Corporate Bond - I GBP Income*	4,111,100	3.36
18,148	MI TwentyFour Investment Funds - Monument Bond - I Accumulation*	2,044,200	1.67
1,450,000	RM Secured Direct Lending	1,464,500	1.20
6,500,000	Royal London Short Duration Global High Yield Bond - Z Income*	5,961,150	4.87
3,150,000	Schroder Strategic Credit - L Income*	3,113,145	2.54
1,325,000	TwentyFour Income	1,583,375	1.29
		<b>35,994,314</b>	<b>29.38</b>

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2017
<b>Global Equity 6.05% (9.23%)</b>			
3,550,000	Artemis Global Select - I Accumulation*	3,774,715	3.08
750,000	Polar Capital Insurance - I GBP Income*	3,639,900	2.97
		<b>7,414,615</b>	<b>6.05</b>
<b>Japanese Equity 4.60% (4.70%)</b>			
2,259,352	Baillie Gifford Japanese Income Growth - B Income*	2,905,526	2.37
2,994,787	Jupiter Japan Income - I Income*	2,737,834	2.23
		<b>5,643,360</b>	<b>4.60</b>
<b>Multi Asset 1.38% (1.03%)</b>			
590,000	Henderson Alternative Strategies Trust	1,687,400	1.38
<b>Private Equity 4.69% (5.28%)</b>			
100,000	HgCapital Trust	1,742,000	1.42
300,687	ICG Enterprise Trust	2,489,688	2.03
81,000	Pantheon International	1,518,750	1.24
		<b>5,750,438</b>	<b>4.69</b>
<b>Property 11.10% (9.76%)</b>			
1,800,000	AEW UK Long Lease REIT	1,849,500	1.51
1,790,000	Impact Healthcare REIT	1,825,800	1.49
1,325,000	LXi REIT	1,371,375	1.12
1,262,000	Phoenix Spree Deutschland	4,057,330	3.31
1,750,000	PRS REIT	1,828,750	1.49
25,000	Taliesin Property**	965,000	0.79
1,750,000	Warehouse REIT**	1,697,500	1.39
		<b>13,595,255</b>	<b>11.10</b>
<b>United Kingdom Equity 7.88% (5.86%)</b>			
1,060,000	Downing Strategic Micro-Cap Investment Trust	1,038,800	0.85
1,650,000	Man GLG Undervalued Assets - D Income*	2,415,600	1.97
600,000	MI Downing UK Micro Cap Growth - B Accumulation*	1,298,160	1.06
200,000	Polar Capital UK Value Opportunities GBP- Income*	2,354,000	1.92
130,000	TB Amati UK Smaller Companies - B Accumulation*	1,397,149	1.14
1,295,000	Woodford Patient Capital Trust	1,151,903	0.94
		<b>9,655,612</b>	<b>7.88</b>
<b>Investment assets</b>		<b>116,297,575</b>	<b>94.93</b>
<b>Net other assets</b>		<b>6,210,631</b>	<b>5.07</b>
<b>Net assets</b>		<b>122,508,206</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 31.10.16.

\* Collective Investment Schemes permitted under COLL, not listed on any exchange.

\*\* Quoted on the Alternative Investment Market.

## Comparative Tables

### Change in net assets per share

	A Income GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	204.10	183.63	180.39
Return before operating charges <sup>^</sup>	21.74	28.17	10.60
Operating charges	-4.94	-4.60	-4.64
Return after operating charges <sup>^</sup>	16.80	23.57	5.96
Distributions	-2.72	-3.10	-2.72
<b>Closing net asset value per share</b>	<b>218.18</b>	<b>204.10</b>	<b>183.63</b>
<sup>^</sup> After direct transaction costs of	-0.17	-0.17	-0.13
<b>Performance</b>			
Return after charges	8.23%	12.84%	3.31%
<b>Other information</b>			
Closing net asset value	£192,946	£257,440	£5,822,085
Closing number of shares	88,433	126,137	3,170,534
Operating charges	2.33%	2.42%	2.50%
Ongoing operating charges*	2.31%	2.36%	2.50%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	220.33	206.85	191.93
Lowest share price	201.49	176.34	179.32

	A Accumulation GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	140.07	123.91	119.94
Return before operating charges <sup>^</sup>	15.03	19.28	7.06
Operating charges	-3.40	-3.12	-3.09
Return after operating charges <sup>^</sup>	11.63	16.16	3.97
Distributions	-1.87	-2.23	-1.82
Retained distributions on accumulation shares	1.87	2.23	1.82
<b>Closing net asset value per share</b>	<b>151.70</b>	<b>140.07</b>	<b>123.91</b>
<sup>^</sup> After direct transaction costs of	-0.12	-0.12	-0.09
<b>Performance</b>			
Return after charges	8.30%	13.04%	3.31%
<b>Other information</b>			
Closing net asset value	£181,873	£354,152	£571,239
Closing number of shares	119,889	252,834	460,997
Operating charges	2.33%	2.42%	2.50%
Ongoing operating charges*	2.31%	2.36%	2.50%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	152.26	140.67	127.64
Lowest share price	138.38	119.20	119.69

## Comparative Tables

continued

### Change in net assets per share

	B Income GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	133.11	119.41	117.00
Return before operating charges <sup>^</sup>	14.23	18.49	6.91
Operating charges	-2.53	-2.38	-2.41
Return after operating charges <sup>^</sup>	11.70	16.11	4.50
Distributions	-2.12	-2.41	-2.09
<b>Closing net asset value per share</b>	<b>142.69</b>	<b>133.11</b>	<b>119.41</b>
<sup>^</sup> After direct transaction costs of	-0.11	-0.11	-0.08
<b>Performance</b>			
Return after charges	8.79%	13.49%	3.84%
<b>Other information</b>			
Closing net asset value	£6,905,567	£6,801,690	£2,652,577
Closing number of shares	4,839,699	5,109,965	2,221,455
Operating charges	1.83%	1.92%	2.00%
Ongoing operating charges*	1.81%	1.86%	2.00%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	144.25	134.85	124.75
Lowest share price	131.51	115.03	116.62

	B Accumulation GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	144.18	126.91	122.26
Return before operating charges <sup>^</sup>	15.49	19.81	7.18
Operating charges	-2.76	-2.54	-2.53
Return after operating charges <sup>^</sup>	12.73	17.27	4.65
Distributions	-2.30	-2.59	-2.23
Retained distributions on accumulation shares	2.30	2.59	2.23
<b>Closing net asset value per share</b>	<b>156.91</b>	<b>144.18</b>	<b>126.91</b>
<sup>^</sup> After direct transaction costs of	-0.12	-0.12	-0.09
<b>Performance</b>			
Return after charges	8.83%	13.61%	3.80%
<b>Other information</b>			
Closing net asset value	£5,060,031	£4,374,928	£4,152,145
Closing number of shares	3,224,831	3,034,389	3,271,771
Operating charges	1.83%	1.92%	2.00%
Ongoing operating charges*	1.81%	1.86%	2.00%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	157.47	144.78	130.37
Lowest share price	142.50	122.28	122.06

## Comparative Tables

continued

### Change in net assets per share

	B Accumulation EUR		
	31.10.17 €c	31.10.16 €c	31.10.15 €c
<b>Opening net asset value per share</b>	119.08	131.25	115.19
Return before operating charges <sup>^</sup>	15.89	-10.11	18.28
Operating charges	-2.02	-2.06	-2.22
Return after operating charges <sup>^</sup>	13.87	-12.17	16.06
Distributions	-2.15	-2.43	-2.38
Retained distributions on accumulation shares	2.15	2.43	2.38
<b>Closing net asset value per share</b>	<b>132.95</b>	<b>119.08</b>	<b>131.25</b>
<sup>^</sup> After direct transaction costs of	-0.10	-0.11	-0.09
<b>Performance</b>			
Return after charges	11.65%	-9.27%	13.94%
<b>Other information</b>			
Closing net asset value	€6,762,086	€5,762,294	€8,030,830
Closing number of shares	5,086,255	4,839,057	6,118,821
Operating charges	1.58%	1.67%	1.75%
Ongoing operating charges*	1.56%	1.61%	1.75%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	133.32	134.28	135.70
Lowest share price	118.53	116.23	113.77

The foreign exchange rate used to calculate net asset value and net distribution per share as at 31 October 2017 was €1.1399.

	C Income GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	115.50	103.49	101.28
Return before operating charges <sup>^</sup>	12.38	16.04	5.95
Operating charges	-1.90	-1.79	-1.83
Return after operating charges <sup>^</sup>	10.48	14.25	4.12
Distributions	-1.99	-2.24	-1.91
<b>Closing net asset value per share</b>	<b>123.99</b>	<b>115.50</b>	<b>103.49</b>
<sup>^</sup> After direct transaction costs of	-0.10	-0.10	-0.07
<b>Performance</b>			
Return after charges	9.07%	13.77%	4.07%
<b>Other information</b>			
Closing net asset value	£31,111,592	£20,702,965	£17,774,818
Closing number of shares	25,091,656	17,923,921	17,175,046
Operating charges	1.58%	1.67%	1.75%
Ongoing operating charges*	1.56%	1.61%	1.75%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	125.41	117.10	108.11
Lowest share price	114.16	99.79	101.12



**Comparative Tables**

continued

**Change in net assets per share**

	<b>C Accumulation GBP</b>		
	<b>31.10.17</b> <b>p</b>	<b>31.10.16</b> <b>p</b>	<b>31.10.15</b> <b>p</b>
<b>Opening net asset value per share</b>	122.03	107.14	102.95
Return before operating charges <sup>^</sup>	13.19	16.76	6.06
Operating charges	-2.02	-1.87	-1.87
Return after operating charges <sup>^</sup>	11.17	14.89	4.19
Distributions	-2.11	-2.39	-1.95
Retained distributions on accumulation shares	2.11	2.39	1.95
<b>Closing net asset value per share</b>	<b>133.20</b>	<b>122.03</b>	<b>107.14</b>
<sup>^</sup> After direct transaction costs of	-0.10	-0.10	-0.07
<b>Performance</b>			
Return after charges	9.15%	13.90%	4.07%
<b>Other information</b>			
Closing net asset value	£47,204,832	£32,229,247	£13,214,230
Closing number of shares	35,440,274	26,411,601	12,333,050
Operating charges	1.58%	1.67%	1.75%
Ongoing operating charges*	1.56%	1.61%	1.75%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	133.66	122.53	109.91
Lowest share price	120.64	103.31	102.83

	<b>D Income GBP</b>		
	<b>31.10.17</b> <b>p</b>	<b>31.10.16</b> <b>p</b>	<b>31.10.15</b> <b>p</b>
<b>Opening net asset value per share</b>	115.35	103.23	100.88
Return before operating charges <sup>^</sup>	12.38	16.02	5.94
Operating charges	-1.60	-1.52	-1.56
Return after operating charges <sup>^</sup>	10.78	14.50	4.38
Distributions	-2.14	-2.38	-2.03
<b>Closing net asset value per share</b>	<b>123.99</b>	<b>115.35</b>	<b>103.23</b>
<sup>^</sup> After direct transaction costs of	-0.10	-0.10	-0.07
<b>Performance</b>			
Return after charges	9.34%	14.04%	4.35%
<b>Other information</b>			
Closing net asset value	£25,758,985	£17,513,247	£14,518,230
Closing number of shares	20,775,609	15,182,478	14,064,256
Operating charges	1.33%	1.42%	1.50%
Ongoing operating charges*	1.31%	1.36%	1.50%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	125.48	117.01	107.82
Lowest share price	114.03	99.61	100.79

## Comparative Tables

continued

### Change in net assets per share

	D Accumulation GBP		
	31.10.17 p	31.10.16 p	31.10.15 <sup>^^</sup> p
<b>Opening net asset value per share</b>	117.51	102.93	100.00
Return before operating charges <sup>^</sup>	12.64	16.11	4.47
Operating charges	-1.63	-1.53	-1.54
Return after operating charges <sup>^</sup>	11.01	14.58	2.93
Distributions	-2.18	-2.38	-1.93
Retained distributions on accumulation shares	2.18	2.38	1.93
<b>Closing net asset value per share</b>	<b>128.52</b>	<b>117.51</b>	<b>102.93</b>
<sup>^</sup> After direct transaction costs of	-0.10	-0.10	-0.07
<b>Performance</b>			
Return after charges	9.37%	14.16%	2.93%
<b>Other information</b>			
Closing net asset value	£160,205	£34,836	£30,488
Closing number of shares	124,652	29,644	29,619
Operating charges	1.33%	1.42%	1.50%
Ongoing operating charges*	1.31%	1.36%	1.50%
Direct transaction costs	0.08%	0.09%	0.07%
<b>Prices</b>			
Highest share price	128.96	118.00	105.45
Lowest share price	115.96	99.32	98.50

<sup>^^</sup> D Accumulation GBP shares launched 24 November 2014.

Operating charges include indirect costs incurred in the maintenance and running of the Sub-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 Sub-fund increased from £87,686,000 to £123,243,000. Taking an average of the daily net assets for the last month of the year has the effect of reducing operating charge by 0.02%. The ACD believes this to be more representative of the charges going forward.

The return after charges is calculated as the closing net asset value per share plus the distributions on income shares minus the opening net asset value per share as a % of the opening net asset value per share.

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 year. The figures used within the table have been calculated against the average net asset value for the accounting year.

**Comparative Tables**

continued

**Risk and reward profile**

The risk and reward indicator table demonstrates where the Sub-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 Sub-fund. The shaded area in the table below shows the Sub-fund’s ranking on the risk and reward indicator.



Classes A,B,C and D (Income and Accumulation GBP) are ranked 3 because funds of this type have experienced low to medium rises and falls in value in the past. During the period under review the category changed from 4 to 3, this is due to the price volatility of the Sub-fund. 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.



Class B Accumulation EUR is ranked 4 because funds of this type have experienced average 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 two indicators above do not take into account the following risks of investing in this Sub-fund:

- Investing in other funds may expose investors to increased risk due to less strict regulations and the use of derivatives.
- The price of some funds may not reflect the value of the assets they hold. This can result in wide changes in the share price.
- The other funds can themselves invest in assets such as bonds, company shares, cash and currencies. The objectives and risk profiles of these underlying funds may not be fully in line with those of this Sub-fund.
- 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.
- Bond values are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may not be able to pay the bond income as promised or could fail to repay the capital amount used to purchase the bond.

For further risk information please see the prospectus.

**Risk warning**

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares 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 Total Return

for the year ended 31 October 2017

	Note	£	31.10.17 £	£	31.10.16 £
Income					
Net capital gains	2		8,292,196		8,426,886
Revenue	3	2,554,990		1,973,994	
Expenses	4	(1,089,592)		(777,589)	
Interest payable and similar charges	4	–		(60)	
Net revenue before taxation		1,465,398		1,196,345	
Taxation	5	–		–	
Net revenue after taxation			1,465,398		1,196,345
<b>Total return before distributions</b>			<b>9,757,594</b>		<b>9,623,231</b>
Distributions	6		(1,828,206)		(1,452,387)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>7,929,388</b>		<b>8,170,844</b>

## Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2017

	£	31.10.17 £	£	31.10.16 £
<b>Opening net assets attributable to Shareholders</b>		<b>87,442,048</b>		<b>64,479,914</b>
Amounts receivable on issue of shares	57,221,705		29,943,021	
Less: Amounts payable on cancellation of shares	(30,979,627)		(15,817,642)	
		26,242,078		14,125,379
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		7,929,388		8,170,844
Retained distributions on accumulation shares		894,692		665,911
<b>Closing net assets attributable to Shareholders</b>		<b>122,508,206</b>		<b>87,442,048</b>

The notes on pages 20 to 31 form an integral part of these Financial Statements.

## Balance Sheet

as at 31 October 2017

	Note	£	31.10.17 £	£	31.10.16 £
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			116,297,575		81,239,522
<b>Current Assets</b>					
Debtors	7	671,172		655,283	
Cash and bank balances	9	6,318,472		6,409,800	
<b>Total current assets</b>			<b>6,989,644</b>		<b>7,065,083</b>
<b>Total assets</b>			<b>123,287,219</b>		<b>88,304,605</b>
<b>LIABILITIES</b>					
Investment liabilities			–		–
<b>Creditors</b>					
Distribution payable		(519,910)		(440,741)	
Other creditors	8	(259,103)		(421,816)	
<b>Total creditors</b>			<b>(779,013)</b>		<b>(862,557)</b>
<b>Total liabilities</b>			<b>(779,013)</b>		<b>(862,557)</b>
<b>Net assets attributable to Shareholders</b>			<b>122,508,206</b>		<b>87,442,048</b>

The notes on pages 20 to 31 form an integral part of these Financial Statements.

## Notes to the Financial Statements

for the year ended 31 October 2017

### 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 Sub-fund can be found within the general information starting on page 58.

The Certification of the Annual Report by the Authorised Corporate Director can be found on page 2.

#### (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.

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

Any reported revenue from an offshore reporting fund is recognised as revenue no later than the date on which the reporting fund makes the information available.

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 and stamp duty reserve tax, are charged against revenue for the year on an accruals basis.

#### (e) Allocation of revenue and expenses to multiple share classes and Sub-funds

Any revenue or expense not directly attributable to a particular Sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and Sub-funds on the day that the revenue or expense is recognised.

With the exception of the Investment Manager's fee which is directly attributable to individual share classes, all revenue and expenses are apportioned to the Sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the revenue or expense is recognised.

#### (f) 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.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

## Notes to the Financial Statements

continued

### 1. Accounting Policies (continued)

#### (g) Distribution policy

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

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

For the purpose of enhancing revenue entitlement, all expenses (except for those relating to the purchase and sale of investments and stamp duty reserve tax), are charged equally between revenue and capital. This will reduce the capital growth of the Sub-fund.

For the MI Hawksmoor Distribution Sub-fund, all expenses (including those relating to the purchase and sale of investments and stamp duty reserve tax) are allocated to capital for the year on an accruals basis. This will reduce the capital growth of the Sub-fund.

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

#### (h) 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.

Collective investment schemes are valued at quoted bid price for dual priced funds and at quoted price for single priced funds, on the last business day of the accounting period.

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

The fair value of open forward foreign currency contracts is calculated with reference to the changes in the spot rate, changes in interest rate differential and the reduced term left to maturity.

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

Amendments to FRS 102 - Fair value hierarchy disclosures, amends paragraphs 34.22 and 34.42 of FRS 102, revising the disclosure requirements for financial instruments held at fair value and aligning the disclosures with those required by EU-adopted IFRS. The Fund has chosen to adopt early these amendments to FRS 102. There are no accounting policy or disclosure changes as a result of this adoption.

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 identical instrument.
- Level 2 – Valuation techniques using observable inputs other than quoted prices within Level 1.
- Level 3 – Valuation techniques using unobservable inputs.

#### (i) 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.

#### (j) Dilution levy

The Authorised Corporate Director may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing Shareholders (for purchases) or remaining Shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a Sub-fund experiencing large levels of net sales relative to its size; on 'large deals' (typically being a purchase or redemption of Shares to a size exceeding 5% of the net asset value of the Company); in any case where the Authorised Corporate Director is of the opinion that the interests of remaining Shareholders require the imposition of a dilution levy.

## Notes to the Financial Statements

continued

<b>2. Net Capital Gains</b>	<b>31.10.17</b>	<b>31.10.16</b>
	£	£
Non-derivative securities	8,302,720	8,432,148
Currency gains/(losses)	1,038	(27)
Transaction charges	(11,562)	(5,235)
<b>Net capital gains</b>	<b>8,292,196</b>	<b>8,426,886</b>
<b>3. Revenue</b>	<b>31.10.17</b>	<b>31.10.16</b>
	£	£
UK dividends: Ordinary	40,338	262,509
Overseas franked dividends	666,548	272,874
Property Income Distributions	173,584	168,190
Distributions from Regulated Collective Investment Schemes:		
Franked investment income	262,808	217,519
Overseas franked investment income	130,664	168,455
Interest distributions	1,177,772	804,939
Bank interest	1,376	8
Interest distributions from other investment funds	101,900	79,500
<b>Total revenue</b>	<b>2,554,990</b>	<b>1,973,994</b>



## Notes to the Financial Statements

continued

<b>4. Expenses</b>	<b>31.10.17</b>	<b>31.10.16</b>
	<b>£</b>	<b>£</b>
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	109,588	85,044
Registration fees	104,948	76,816
	<u>214,536</u>	<u>161,860</u>
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	801,307	528,982
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	38,290	38,189
Safe custody and other bank charges	15,517	30,041
	<u>53,807</u>	<u>68,230</u>
Other expenses:		
Audit fee (including VAT)	7,380	7,020
Audit fee (including VAT): taxation services	1,500	(288)
FCA fee	156	200
Legal fees	8,010	7,204
Printing costs	2,896	4,381
	<u>19,942</u>	<u>18,517</u>
<b>Expenses</b>	<b>1,089,592</b>	<b>777,589</b>
Interest payable and similar charges	–	60
<b>Total</b>	<b>1,089,592</b>	<b>777,649</b>

## Notes to the Financial Statements

continued

5. Taxation	31.10.17 £	31.10.16 £
(a) Analysis of charge in the year:		
<b>Total tax charge (note 5b)</b>	–	–
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	1,465,398	1,196,345
Corporation tax at 20%	293,080	239,269
Effects of:		
UK dividends	(60,629)	(96,006)
Movement in surplus management expenses	(73,009)	(54,997)
Non-taxable overseas earnings	(159,442)	(88,266)
<b>Total tax charge (note 5a)</b>	–	–

### (c) Deferred tax

At the year end there is a potential deferred tax asset of £119,629 (2016: £192,638) in relation to surplus management expenses. It is unlikely that the Sub-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 shares and revenue deducted on the cancellation of shares, and comprise:

		31.10.17 £	31.10.16 £
Interim distribution	30.04.17	943,501	704,760
Final distribution	31.10.17	977,947	853,082
		1,921,448	1,557,842
Revenue deducted on cancellation of shares		136,281	99,747
Revenue received on issue of shares		(229,523)	(205,202)
<b>Distributions</b>		<b>1,828,206</b>	<b>1,452,387</b>

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

Net revenue after taxation per Statement of Total Return		1,465,398	1,196,345
Expenses allocated to capital		544,796	388,794
Relief on expenses allocated to capital		(181,967)	(132,756)
Undistributed revenue brought forward		28	32
Undistributed revenue carried forward		(49)	(28)
<b>Distributions</b>		<b>1,828,206</b>	<b>1,452,387</b>

## Notes to the Financial Statements

continued

<b>7. Debtors</b>	<b>31.10.17</b>	<b>31.10.16</b>
	£	£
Amounts receivable on issues	428,555	328,785
Accrued income:		
Dividends receivable	191,183	143,778
Income tax recoverable	47,857	178,703
Prepaid expenses:		
KIID fee	3,577	4,017
<b>Total debtors</b>	<b>671,172</b>	<b>655,283</b>
<b>8. Other Creditors</b>	<b>31.10.17</b>	<b>31.10.16</b>
	£	£
Amounts payable on cancellations	151,195	115,857
Purchases awaiting settlement	–	211,469
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	9,877	7,617
Registration fee	8,651	6,750
	<u>18,528</u>	<u>14,367</u>
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	<u>74,732</u>	<u>53,068</u>
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	6,728	6,598
Safe custody and other bank charges	2,676	9,937
	<u>9,404</u>	<u>16,535</u>
Other expenses:		
Audit fee (including VAT)	–	7,020
Audit fee (including VAT): taxation services	3,000	1,500
Legal fees	944	–
Printing costs	1,300	2,000
	<u>5,244</u>	<u>10,520</u>
<b>Total other creditors</b>	<b>259,103</b>	<b>421,816</b>

## Notes to the Financial Statements

continued

<b>9. Cash and Bank Balances</b>	<b>31.10.17</b>	<b>31.10.16</b>
	£	£
Cash and bank balances	6,318,472	6,409,800
<b>Cash and bank balances</b>	<b>6,318,472</b>	<b>6,409,800</b>

### 10. Related Party Transactions

Authorised Corporate Director and other fees payable to Maitland Institutional Services Ltd (the ACD) are disclosed in note 4 and amounts due at the year end are shown in note 8.

Fees payable to Hawksmoor Investment Management Limited (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 shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

At the year end the Sub-fund did not hold shares in the MI Hawksmoor Open-Ended Investment Company - The Distribution Fund.

### 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: none).

### 12. Risk Management Policies and Disclosures

In pursuing its investment objectives, the Sub-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 Sub-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 ACD accepts market price risk and interest rate risk in relation to the investment portfolio.

The Sub-fund may also enter into a range of derivative transactions whose purpose is efficient portfolio management. In addition the Sub-fund only executes derivative contracts where both the derivative instrument and the counterparty have been approved by the ACD.

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

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 Sub-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 Sub-fund in the context of all their investments.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD 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 Sub-fund will be exposed.

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £11,629,758 (2016: £8,123,952).

## Notes to the Financial Statements

continued

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

#### Currency risk

Although the Sub-fund's capital and income are denominated in sterling, a proportion of the Sub-fund's investments may have currency exposure and, as a result, the income and capital value of the Sub-fund are affected by currency movements.

Currency risk is the risk that the value of the Sub-fund's investments will fluctuate as a result of changes in currency exchange rates. For Funds where a proportion of the net assets of the Fund is denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The ACD monitors the currency exposure of the Sub-fund and may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies.

There is no material foreign currency exposure in the Sub-fund (2016: none).

#### Interest rate risk

Interest rate risk is the risk that the value of the Sub-fund's investments will fluctuate as a result of changes in interest rates. The Sub-fund may invest in fixed and floating rate securities or schemes that invest in fixed or floating rate securities. The revenue of these Funds may be affected by changes in interest rates relevant to particular securities or as a result of the Company being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

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

The table below details the interest rate risk profile at the balance sheet date:

31.10.17

Currency	Floating rate financial assets £	Assets on which interest distributions are paid £	Assets on which interest distributions is not paid <sup>^</sup> £	Total £
Pound sterling	6,318,472	34,161,669	82,807,078	123,287,219
	<b>6,318,472</b>	<b>34,161,669</b>	<b>82,807,078</b>	<b>123,287,219</b>

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Pound sterling	–	779,013	779,013
	–	<b>779,013</b>	<b>779,013</b>

## Notes to the Financial Statements

continued

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

#### Interest rate risk (continued)

31.10.16

Currency	Floating rate financial assets £	Assets on which interest distributions are paid £	Assets on which interest distributions is not paid <sup>^</sup> £	Total £
Pound sterling	6,409,800	20,032,624	61,862,181	88,304,605
	<b>6,409,800</b>	<b>20,032,624</b>	<b>61,862,181</b>	<b>88,304,605</b>

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Pound sterling	–	862,557	862,557
	<b>–</b>	<b>862,557</b>	<b>862,557</b>

<sup>^</sup> Equity Shares which receive dividend revenue and debtors.

#### Credit risk

Credit risk arises from two main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, there is the possibility of default of the issuer and default in the underlying assets of a Collective Investment Scheme, meaning that a sub-fund may not receive back the full principal originally invested. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer or scheme can limit credit risk.

There are no net borrowings or unlisted securities and the ACD considers that the Sub-fund has little exposure to credit risk.

#### Liquidity risk

Liquidity risk is the risk that a Sub-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, a Sub-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 Sub-fund, the Sub-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 shares.

The ACD considers that there is little exposure to liquidity risk.

## Notes to the Financial Statements

continued

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

#### Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Sub-fund has fulfilled its responsibilities which could result in the Sub-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.

### 13. Portfolio Transaction Costs

31.10.17

Analysis of purchases	Net purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	28,400,402	24,830	0.09%	27,088	0.10%	28,348,484
Funds	36,861,776	–	0.00%	9	0.00%	36,861,767
Corporate actions	600,000	–	0.00%	–	0.00%	600,000
<b>Total purchases after commissions and tax</b>	<b>65,862,178</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	39,106,845	40,625	0.10%	62	0.00%	39,147,532
<b>Total sales after commissions and tax</b>	<b>39,106,845</b>					
Commission as a % of average net assets	0.06%					
Taxes as a % of average net assets	0.02%					

## Notes to the Financial Statements

continued

### 13. Portfolio Transaction Costs (continued)

31.10.16

Analysis of purchases	Net purchase cost	Commissions paid		Taxes		Purchases before transaction cost
	£	£	%	£	%	£
Equities	13,821,174	18,745	0.14%	27,903	0.20%	13,774,526
Funds	27,870,188	–	0.00%	–	0.00%	27,870,188
Corporate actions	260,500	–	0.00%	–	0.00%	260,500
<b>Total purchases after commissions and tax</b>	<b>41,951,862</b>					

  

Analysis of sales	Net sale proceeds	Commissions paid		Taxes		Sales before transaction cost
	£	£	%	£	%	£
Equities	32,875,801	14,131	0.04%	23	0.00%	32,889,955
<b>Total sales after commissions and tax</b>	<b>32,875,801</b>					

  

Commission as a % of average net assets	0.05%
Taxes as a % of average net assets	0.04%

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 12 to 17. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 31 October 2017 is 0.37% (2016: 0.45%).

### 15. Fair Value Disclosure

Valuation technique	31.10.17		31.10.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 <sup>^</sup>	36,506,290	–	26,288,271	–
Level 2 <sup>^^</sup>	79,791,285	–	54,951,251	–
Level 3 <sup>^^^</sup>	–	–	–	–
	<b>116,297,575</b>	<b>–</b>	<b>81,239,522</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.



## Notes to the Financial Statements

continued

### 16. Shareholders Funds

	<b>A</b>	<b>A</b>	<b>B</b>	<b>B</b>
	<b>Income</b>	<b>Accumulation</b>	<b>Income</b>	<b>Accumulation</b>
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Opening number of Shares	126,137	252,834	5,109,965	3,034,389
Shares issued	–	–	338,579	759,643
Shares cancelled	(37,704)	(132,945)	(547,505)	(502,542)
Shares converted	–	–	(61,340)	(66,659)
<b>Closing number of Shares</b>	<b>88,433</b>	<b>119,889</b>	<b>4,839,699</b>	<b>3,224,831</b>

  

	<b>B</b>
	<b>Accumulation</b>
	<b>EUR</b>
Opening number of Shares	4,839,057
Shares issued	927,815
Shares cancelled	(680,617)
Shares converted	–
<b>Closing number of Shares</b>	<b>5,086,255</b>

  

	<b>C</b>	<b>C</b>	<b>D</b>	<b>D</b>
	<b>Income</b>	<b>Accumulation</b>	<b>Income</b>	<b>Accumulation</b>
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Opening number of Shares	17,923,921	26,411,601	15,182,478	29,644
Shares issued	12,931,880	21,008,944	10,669,789	113,388
Shares cancelled	(5,841,946)	(12,076,737)	(5,069,496)	–
Shares converted	77,801	96,466	(7,162)	(18,380)
<b>Closing number of Shares</b>	<b>25,091,656</b>	<b>35,440,274</b>	<b>20,775,609</b>	<b>124,652</b>

## Distribution Tables

for the year ended 31 October 2017

### Income Share Distribution

Share class	Distribution	Shares	Net revenue	Equalisation	Distribution payable 2017	Distribution paid 2016
A GBP	Interim <sup>^</sup>	Group 1	1.3786p	–	1.3786p	1.2193p
		Group 2	–	–	–	–
	Final	Group 1	1.3448p	–	1.3448p	1.8799p
		Group 2	–	–	–	–
B GBP	Interim	Group 1	1.0697p	–	1.0697p	1.2350p
		Group 2	0.4255p	0.6442p	1.0697p	1.2350p
	Final	Group 1	1.0495p	–	1.0495p	1.1755p
		Group 2	0.4389p	0.6106p	1.0495p	1.1755p
C GBP	Interim	Group 1	1.0027p	–	1.0027p	1.1335p
		Group 2	0.6782p	0.3245p	1.0027p	1.1335p
	Final	Group 1	0.9829p	–	0.9829p	1.1104p
		Group 2	0.4718p	0.5111p	0.9829p	1.1104p
D GBP	Interim	Group 1	1.0724p	–	1.0724p	1.1962p
		Group 2	0.6325p	0.4399p	1.0724p	1.1962p
	Final	Group 1	1.0652p	–	1.0652p	1.1808p
		Group 2	0.4323p	0.6329p	1.0652p	1.1808p

<sup>^</sup> No Group 2 shares held.

### Accumulation Share Distribution

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2017	Amount reinvested 2016
A GBP	Interim <sup>^</sup>	Group 1	0.9459p	–	0.9459p	1.1054p
		Group 2	–	–	–	–
	Final	Group 1	0.9230p	–	0.9230p	1.1233p
		Group 2	–	–	–	1.1233p
B GBP	Interim	Group 1	1.1625p	–	1.1625p	1.3103p
		Group 2	0.5253p	0.6372p	1.1625p	1.3103p
	Final	Group 1	1.1424p	–	1.1424p	1.2764p
		Group 2	0.3336p	0.8088p	1.1424p	1.2764p
B EUR	Interim	Group 1	1.1026€c	–	1.1026€c	1.3121€c
		Group 2	0.6289€c	0.4737€c	1.1026€c	1.3121€c
	Final	Group 1	1.0501€c	–	1.0501€c	1.1227€c
		Group 2	0.3863€c	0.6638€c	1.0501€c	1.1227€c
C GBP	Interim	Group 1	1.0613p	–	1.0613p	1.1747p
		Group 2	0.6217p	0.4396p	1.0613p	1.1747p
	Final	Group 1	1.0493p	–	1.0493p	1.2178p
		Group 2	0.3694p	0.6799p	1.0493p	1.2178p
D GBP	Interim	Group 1	1.0928p	–	1.0928p	1.1916p
		Group 2	0.9989p	0.0939p	1.0928p	1.1916p
	Final	Group 1	1.0906p	–	1.0906p	1.1885p
		Group 2	0.0388p	1.0518p	1.0906p	– <sup>^</sup>

<sup>^</sup> No Group 2 shares held.

Interim period: 01.11.16 - 30.04.17

Final period: 01.05.17 - 31.10.17

## Distribution Tables

continued

Group 1: Shares purchased prior to a distribution period  
Group 2: Shares purchased during a distribution period

### Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. 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 shares for capital gains tax purposes.

## Investment Objective and Policy

### Investment objective

The investment objective of the Sub-fund is to provide income with the prospect of capital growth.

### Investment policy

The Sub-fund's portfolio will consist primarily of a diversified range of open and closed ended funds. The portfolio will be actively managed, with the Investment Manager seeking to take advantage of inefficiencies in the pricing of closed ended funds and significant movements in financial markets. Through its investments, the portfolio will be exposed to a range of asset classes, underlying currencies, geographic spread and holding funds managed by a variety of fund management groups and style of investment manager. The Company permits the use of derivatives for investment purposes by the Sub-fund; however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Sub-fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives.

## Investment Manager's Report

for the year ended 31 October 2017

### Performance Review and Income Distribution

Investor worries about political events were brushed aside with aplomb as major asset classes continued to make strong gains over the period under review. A plethora of elections, both planned and unexpected, failed to result in any significant market sell offs as central banks continued to inject money into the global financial system. Most developed Government bond yields continued to fall and corporate bond spreads ground ever tighter, whilst many of the major stock market indices hit all-time highs. Against this backdrop, the Distribution Fund generated strong positive returns in the year to 31 October 2017 and continued its good performance track record since the launch of the Sub-fund in April 2012. The Sub-fund achieved a total return of 10.2% over the year, compared to the 9.8% average performance of its peer group of funds in the IA Mixed Investment 40-85% Shares Sector. This placed the Sub-fund in the second quartile of its peer group for the period under review. The Sub-fund's outperformance relative to its peer group can largely be attributed to our continued endeavour to generate good risk-adjusted returns given the diminishing value offered by most investments relative to their risk. Analysis of the period shows that the outperformance of the peer group was generated by providing better downside protection during times when markets were going through more difficult periods, whilst capturing the majority of the upside when markets were stronger. The Sub-fund's performance was driven by positions in idiosyncratic investments that performed well regardless of the direction of mainstream financial assets. Meanwhile, the longer term performance remains excellent in both absolute and relative terms. Since launch on 13 April 2012 to 31 October 2017, the Distribution Fund has achieved a total return of 80.2% compared with a return of 58.7% for the IA Mixed Investment 40-85% Shares Sector and is ranked 10 out of 106 funds in the IA Sector. The continued consistency and quality of the Sub-fund's performance since launch has resulted in the Sub-fund receiving the award for "Best Multi-Asset Fund: Rising Income" at the Professional Adviser Awards 2017. The Sub-fund has maintained an 'A' rating awarded by multi-manager research specialist Scopic Research and has been rated '5 Diamond' by Defaqto, which is their highest rating.

We were delighted that Hawksmoor Fund Managers was awarded the Boutique Management Group of the Year (Multiple Strategies) by Investment Week at the end of the period. We are keen to stress that recognition in the form of ratings and awards is not the end of a journey, but rather a solid base from which to build on further.

For the 3-month period to 31 October 2017, the Distribution Fund generated income of 0.9377 pence per B Income share (pps), going ex-dividend on 1 November with the income paid to income shareholders at the end of December 2017. This distribution together with the last three quarterly dividends (3.8193 pps) amounts to an annualised yield of 3.65% based on the price at 1 November 2016. The Sub-fund aims to deliver a yield in excess of that offered by a composite of financial assets.

*Source: Financial Express Analytics. All figures refer to the B Accumulation share class unless otherwise stated.*

## Investment Manager's Report

continued

### Market Review

The twelve months under review saw strong performance across all but a few financial asset classes. Indeed, only global inflation linked bonds and UK government inflation linked bonds delivered negative returns over the period. In a reversal of the weakness seen in sterling over the previous year in the aftermath of the UK's vote to leave the European Union, sterling strengthened against the major currencies, notably 8% versus the US dollar and 15% against the Japanese yen. Sterling's recovery significantly undermined the returns achieved from overseas assets over the year. The period under review was characterised by a number of important political events in both the developed and emerging world. Beginning with the election of Donald Trump as the 45th President of the United States on 9 November 2016 followed by a period that saw the Germans, Dutch, French, British and Japanese, the latter two following surprise election calls, go to the polls. There were also important Legislative Assembly elections in India, with Modi increasing his strength with victory in the important region of Uttar Pradesh, whilst in China, Xi Jinping reinforced his grip on the Premiership to such an extent that his name and ideas were written into the constitution, putting him on a level footing with the founding father of the People's Republic of China, Mao Zedong. The run up to many of the elections unsurprisingly increased uncertainty within markets, but a string of market favourable results continued to push mainstream asset values to ever higher levels. Our investment philosophy avoids us forecasting the results of such binary events or positioning the portfolio for a particular outcome such as an election result. Instead it ensures that the Distribution Fund is always diversified across asset classes and currencies, combined with a rigorous focus on finding investments that offer us an attractive margin of safety.

In local currency terms, the best performing asset class globally was Japanese equities. Much of this strong performance was delivered following a surprise election call by Prime Minister Abe in September, an election he subsequently went on to win. Victory enables him to continue his economic reform programme that has seen vast improvements in the corporate governance of Japanese companies, resulting in much higher profitability and improved margins. All major equity markets delivered returns in excess of 20% in local currency terms, with it being a record breaking year for many markets with the S&P 500 delivering positive returns in every month of the period under review and many other markets making new all-time highs as global data and earnings were strong. It is worth reminding ourselves just how unusual these types of returns are. Equity markets historically have delivered 7% real returns annually. Since the Global Financial Crisis, boosted by unprecedented central bank intervention in global markets, returns have far outpaced this. This is not sustainable in the long term. Towards the end of the period under review, global central banks began to gradually move away from such accommodative policies. The Federal Reserve (Fed) announced that it would not be reinvesting the coupons of bonds it owns in the market and would simultaneously begin raising interest rates. The European Central Bank (ECB) announced a reduction in its bond buying programme from €60bn to €30bn a month, and the tone of the UK's own Monetary Policy Committee (MPC) became noticeably more hawkish as inflation picked up, culminating in the first rate rise in the UK for a decade on the 2 November.

Global high yield bond markets continued to make strong gains, with the European market in particular doing exceptionally well. This resulted in the European high yield bond index yield falling to less than 2%. To put that into perspective, this was below the yield available on US 10 year government bonds. Meanwhile, many corporate and government bonds continued to trade at negative yields, meaning the purchase of such an asset would guarantee to lose you money if bought and held to maturity. The abundant liquidity brought about by quantitative easing has generated strong demand for financial assets. Corporates and governments alike have issued record levels of bonds and global debt levels as a result have continued to climb. Returns to lenders have continued to fall to an extent where bond holders are effectively paying to lend – a dynamic previously unimaginable in traditional economic theory. Our process means that we are not forced to own any area of the market we believe is too expensive. The true objective of any long term investor should be to deliver positive real returns after income and taxes, this is only possible by allocating capital to those areas that offer attractive valuations on entry point, and by avoiding those that do not.

### Portfolio Review

Portfolio activity during the twelve months under review centred on finding areas where we could identify a margin of safety, and which might be lowly correlated to falls in the prices of risk assets as valuations of mainstream asset classes continued to rise. Generally speaking, through the year, we have continued a trend we started at the end of 2013. We have continued to steadily reduce the Sub-fund's exposure to investments dependent on the general direction of mainstream assets and have sought out more idiosyncratic investment opportunities whose fortunes depend less on the backdrop of the global macroeconomy, political noise, or the tilt of monetary policy. Thus the Sub-fund's good performance over the period can be attributed to the excellent opportunities we have managed to uncover both within the past year and over a longer time horizon.

## Investment Manager's Report

continued

Much of our activity was conducted in the closed-ended investment trust universe. We use closed-ended vehicles to gain access to asset classes that cannot be accessed via the open ended space such as private equity and loans, or to those that should not be, such as physical property. During the course of the year, a glut of new issuance came to market, particularly in the property space, driven in part by a hunger from the investment community for access to assets generating yields higher than those available on more traditional fixed interest assets like government bonds. Cognisant of this, we have been careful to support only the most attractive opportunities and add to existing positions in which we have had growing confidence, whilst reducing exposure to those where the margin of safety has diminished. We took part in the initial public offerings (IPOs) of Civitas Social Housing REIT, LXi REIT, Impact Healthcare REIT, PRS REIT, AEW UK Long Lease REIT and Warehouse REIT during the course of the year. All offered something unique and attractive, from access to sectors with strong technical support like social housing and healthcare, to forward-funded developments and value additive strategies through LXi REIT and AEW UK Long Lease REIT. Existing holdings Custodian REIT and Target Healthcare REIT were sold after their prices moved to high premiums to Net Asset Value (NAV).

We see little to no value in traditional fixed interest, and have instead found opportunities in the investment trust space with the additions of ICG Longbow Senior Secured UK Property Debt, SQN Secured Income and RM Secured Direct Lending. SQN was later sold after a sharp discount narrowing following a corporate action event. Other purchases in the investment trust space included taking part in the IPOs of Jupiter Emerging & Frontier Income Trust and Aberforth Split Level Income Trust, where we have high regard for the managers of both trusts. Dealing was not limited to the closed-ended universe. We continually review the positions held within the Sub-fund, and during the course of the year adapted our UK equity income exposure to ensure we had access to only the most attractive areas of the market. We sold our positions in Fidelity Enhanced Income and Standard Life UK Equity Income Unconstrained, and introduced Man GLG UK Income and CF Livingbridge UK Multi Cap Income. We strive to make sure the Sub-fund is always well diversified, and this led us to introduce a holding in Old Mutual Gold & Silver. Although this fund does not pay a dividend, the diversification benefits of owning gold far outweigh the potential drag on the portfolios overall yield. More detail on why we own gold can be found in the feature article of our Q3 report.

In line with our process, disposal activity was focused on removing funds from the portfolio that had experienced a diminution of the margin of safety that had made them attractive in the first place. A good test, and one that we use often, is asking ourselves 'would we buy this fund today?'. If the answer is "no", we are forced into a deeper review. We sold our position in Baillie Gifford High Yield Bond after European bond yields fell to very unattractive levels as prices rose, and spreads dramatically tightened. Our private equity holdings continued the good run which began in earnest during the previous period under review, but when valuations became stretched we trimmed and then sold our position in F&C Private Equity Trust with its price at a premium to NAV, with peers continuing to trade on wider discounts. Competition for a place in the Sub-fund was strong, and this led to Polar Capital Global Healthcare being usurped by BB Healthcare Trust, and TwentyFour Select Monthly Income was consolidated into TwentyFour Income Fund.

### Investment Outlook

The themes driving markets remain much the same as they have for some time, as investors continue to search for income in a low yield environment brought upon by the unprecedented central bank involvement that has been a boon to markets in the post- Great Financial Crisis era. Equity markets remain close to peak valuations by most measures, government bond yields are close to all-time lows across much of the developed world, and anomalies such as European high yield bonds yielding less than US Treasuries are beginning to appear with increasing regularity. Over the next few years, it looks likely that central bank intervention in markets will be reduced. The Fed is in the midst of a rate hiking cycle, the MPC has raised rates for the first time in a decade and the ECB has cut its bond purchasing programme in half. However, a dovish tone remains. In Europe, Mario Draghi has stated that he will continue to support markets. In the UK, Mark Carney has indicated the rate rise will not be the first of many in quick succession. Whilst in Japan, stimulus shows no signs of abating with Kuroda committed to keeping the 10 year Japanese government bond yield at 0%.

We have continued to reduce the exposure of the Sub-fund to the general direction of markets with a correspondingly higher allocation to funds designed to generate positive long term returns independently of markets. We continue to seek to ensure that our Sub-fund is well diversified with an increasing proportion of the portfolio designed to help defend capital during times of market stress. Whilst we believe that traditional asset classes are very richly valued, we continue to find attractive opportunities in niche, more idiosyncratic areas of the market. The fact that our strong performance over the year has coincided

## Investment Manager's Report

continued

with a reduction in exposure to areas of the market that have performed best gives us confidence that we can continue to deliver on our aim of delivering positive real returns through the market cycle. We remain alert to changing market dynamics that may necessitate a different strategy, but would be surprised, however, if the past year's performance were to be repeated.

More information about the Distribution Fund can be found on the Hawksmoor website [www.hawksmoorfm.co.uk](http://www.hawksmoorfm.co.uk) including monthly factsheets and commentaries which give more details of the investments in the portfolio and how they have changed over the period covered by this report. You will also find a link to our quarterly reports. If you would like to receive any of these documents on a regular basis and are not already doing so, please send an email to [hannah.isaac@hawksmoorfm.co.uk](mailto:hannah.isaac@hawksmoorfm.co.uk) and we will be pleased to add your email address to the distribution list.

We thank you for your support and interest in the Distribution Fund.

Daniel Lockyer, Richard Scott, Ben Conway  
Hawksmoor Investment Management Ltd  
22 December 2017

## Portfolio Statement

as at 31 October 2017

Holding	Security	Market value £	% of total net assets 2017
<b>Alternative 3.08% (3.25%)</b>			
400,000	Polar Capital Global Convertible - I GBP Distribution*	3,192,000	3.08
<b>Commodity 1.71% (2.04%)</b>			
135,000	Old Mutual Gold & Silver - U1 GBP Accumulation*	1,772,388	1.71
<b>Emerging Market Equity 2.32% (2.00%)</b>			
470,000	Blackrock Frontiers Investment Trust	734,375	0.71
1,500,000	Jupiter Emerging & Frontier Income Trust	1,665,000	1.61
		2,399,375	2.32
<b>European Equity 2.87% (4.26%)</b>			
559,354	Montanaro European Income - GBP Income*	1,043,195	1.00
900,000	Schroder European Alpha Income - Z GBP Hedged Income*	1,934,100	1.87
		2,977,295	2.87
<b>Far East Equity 4.84% (6.75%)</b>			
140,000	Guinness Asian Equity Income - Z GBP Distribution*	2,312,044	2.23
13,000	Prusik Asian Equity Income - 1C GBP Distribution*	2,702,220	2.61
		5,014,264	4.84
<b>Fixed Interest 26.58% (26.91%)</b>			
1,057,745	Alcentra European Floating Rate Income	1,057,745	1.02
20,000	Ashmore Emerging Short Duration - Z GBP Income*	2,064,000	1.99
33,000	Ashmore Emerging Markets Total Return - I GBP Income*	3,306,930	3.19
24,000	Barings European High Yield Bond - A GBP Distribution*	2,563,680	2.48
7,500	Barings European High Yield Bond - C GBP Distribution*	760,200	0.73
1,843,234	GCP Asset Backed Income	1,930,788	1.87
1,800,000	GCP Infrastructure Investments	2,197,800	2.12
2,125,000	ICG - Longbow Senior Secured UK Property Debt Investments	2,178,125	2.10
137,000	Ranger Direct Lending	1,054,900	1.02
1,450,000	RM Secured Direct Lending	1,464,500	1.42
500,000	RM Secured Direct Lending C Shares	505,000	0.49
4,600,000	Royal London Short Duration Global High Yield Bond - Z Income*	4,219,120	4.07
2,100,000	Schroder Strategic Credit - L Income*	2,075,430	2.00
1,800,000	TwentyFour Income	2,151,000	2.08
		27,529,218	26.58
<b>Global Equity 10.74% (11.89%)</b>			
1,920,000	BB Healthcare Trust	2,208,000	2.13
2,700,000	Fidelity Global Enhanced Income - W Income*	3,690,900	3.57
160,000	Guinness Global Equity Income - Z GBP Distribution*	2,798,992	2.70
2,500,000	Schroder Global Equity Income Fund - Z GBP Income*	2,423,000	2.34
		11,120,892	10.74
<b>Japanese Equity 5.01% (6.21%)</b>			
2,008,313	Baillie Gifford Japanese Income Growth - B Income*	2,582,690	2.49
2,852,178	Jupiter Japan Income - I Income*	2,607,461	2.52
		5,190,151	5.01



## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2017
<b>Multi Asset 3.17% (3.37%)</b>			
2,200,000	Polar Capital Income Opportunities - B1 I GBP Income*	3,285,920	3.17
<b>Private Equity 4.35% (2.72%)</b>			
291,500	ICG Enterprise Trust	2,413,620	2.33
600,000	Standard Life Private Equity Trust	2,088,000	2.02
		4,501,620	4.35
<b>Property 21.38% (17.52%)</b>			
1,800,000	AEW UK Long Lease REIT	1,849,500	1.79
2,400,000	AEW UK REIT	2,424,000	2.34
1,900,000	Civitas Social Housing REIT	2,085,250	2.01
2,000,000	Impact Healthcare REIT	2,040,000	1.97
2,000,000	LXi REIT	2,070,000	2.00
620,000	Pacific Industrial & Logistics REIT**	744,000	0.72
1,515,000	Phoenix Spree Deutschland	4,870,725	4.70
45,000	Taliesin Property**	1,737,000	1.68
2,000,000	PRS REIT	2,090,000	2.02
2,300,000	Warehouse REIT**	2,231,000	2.15
		22,141,475	21.38
<b>United Kingdom Equity 8.64% (9.53%)</b>			
1,400,000	Aberforth Split Level Income Trust	1,386,000	1.34
625,000	BlackRock UK Income - D GBP Income*	2,893,125	2.79
600,000	CF Livingbridge UK Multi Cap Income - F GBP Income*	631,860	0.61
2,400,000	Man GLG UK Income - D Income*	3,076,800	2.97
45,000	Rights & Issues Investment Trust	963,000	0.93
		8,950,785	8.64
<b>Investment assets</b>		<b>98,075,383</b>	<b>94.69</b>
<b>Net other assets</b>		<b>5,498,430</b>	<b>5.31</b>
<b>Net assets</b>		<b>103,573,813</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 31.10.16.

\*Collective Investment Schemes permitted under COLL, not listed on any exchange.

\*\*Quoted on the Alternative Investment Market.

## Comparative Tables

### Change in net assets per share

	A Income GBP		A Accumulation GBP	
	31.10.16 <sup>^^</sup> p	31.10.15 p	31.10.16 <sup>^^</sup> p	31.10.15 p
<b>Opening net asset value per share</b>	120.88	120.80	138.47	133.29
Return before operating charges <sup>^</sup>	-120.88	7.68	-138.47	8.48
Operating charges	0.00	-2.94	0.00	-3.30
Return after operating charges <sup>^</sup>	-120.88	4.74	-138.47	5.18
Distributions	0.00	-4.66	0.00	-5.27
Retained distributions on accumulation shares	n/a	n/a	0.00	5.27
<b>Closing net asset value per share</b>	<b>0.00</b>	<b>120.88</b>	<b>0.00</b>	<b>138.47</b>
<sup>^</sup> After direct transaction costs of	-0.14	-0.12	-0.17	-0.14
<b>Performance</b>				
Return after charges	-100.00%	3.92%	-100.00%	3.89%
<b>Other information</b>				
Closing net asset value	0	£288,148	0	£110,469
Closing number of shares	0	238,370	0	79,777
Operating charges	–	2.38%	–	2.38%
Direct transaction costs	0.12%	0.10%	0.12%	0.10%
<b>Prices</b>				
Highest share price	121.97	129.12	139.65	143.98
Lowest share price	116.76	117.28	133.74	132.16

<sup>^^</sup>On 22 January as part of the Retail Distribution Review the A Income GBP share class was transferred to B Income GBP share class and A Accumulation GBP share class was transferred to B Accumulation GBP share class. Return after charges at date of transfer was -3.41% (A Income & A Accumulation).

	B Income GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	129.86	117.02	116.34
Return before operating charges <sup>^</sup>	15.51	20.14	7.43
Operating charges	-2.29	-2.22	-2.24
Return after operating charges <sup>^</sup>	13.22	17.92	5.19
Distributions	-4.76	-5.08	-4.51
<b>Closing net asset value per share</b>	<b>138.32</b>	<b>129.86</b>	<b>117.02</b>
<sup>^</sup> After direct transaction costs of	-0.22	-0.14	-0.12
<b>Performance</b>			
Return after charges	10.18%	15.32%	4.46%
<b>Other information</b>			
Closing net asset value	£1,667,248	£1,569,618	£1,330,022
Closing number of shares	1,205,388	1,208,663	1,136,624
Operating charges	1.70%	1.84%	1.88%
Ongoing operating charges*	1.68%	1.78%	1.88%
Direct transaction costs	0.16%	0.12%	0.10%
<b>Prices</b>			
Highest share price	140.09	131.61	124.64
Lowest share price	127.34	110.46	113.42

## Comparative Tables

continued

### Change in net assets per share

	B Accumulation GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	162.60	140.63	134.70
Return before operating charges <sup>^</sup>	19.84	24.68	8.56
Operating charges	-2.91	-2.71	-2.63
Return after operating charges <sup>^</sup>	16.93	21.97	5.93
Distributions	-6.04	-6.20	-5.26
Retained distributions on accumulation shares	6.04	6.20	5.26
<b>Closing net asset value per share</b>	<b>179.53</b>	<b>162.60</b>	<b>140.63</b>
<sup>^</sup> After direct transaction costs of	-0.27	-0.18	-0.14
<b>Performance</b>			
Return after charges	10.41%	15.62%	4.40%
<b>Other information</b>			
Closing net asset value	£660,264	£510,884	£472,368
Closing number of shares	367,775	314,191	335,903
Operating charges	1.70%	1.84%	1.88%
Ongoing operating charges*	1.68%	1.78%	1.88%
Direct transaction costs	0.16%	0.12%	0.10%
<b>Prices</b>			
Highest share price	180.61	163.59	145.82
Lowest share price	159.60	134.34	133.62

	B Accumulation EUR		
	31.10.17 €c	31.10.16 €c	31.10.15 €c
<b>Opening net asset value per share</b>	123.75	133.91	116.80
Return before operating charges <sup>^</sup>	18.32	-8.15	19.22
Operating charges	-1.95	-2.01	-2.11
Return after operating charges <sup>^</sup>	16.37	-10.16	17.11
Distributions	-4.74	-5.19	-4.97
Retained distributions on accumulation shares	4.74	5.19	4.97
<b>Closing net asset value per share</b>	<b>140.12</b>	<b>123.75</b>	<b>133.91</b>
<sup>^</sup> After direct transaction costs of	-0.21	-0.15	-0.13
<b>Performance</b>			
Return after charges	13.23%	-7.59%	14.65%
<b>Other information</b>			
Closing net asset value	€10,819,470	€10,854,807	€11,174,651
Closing number of shares	7,721,605	8,771,590	8,345,181
Operating charges	1.45%	1.59%	1.63%
Ongoing operating charges*	1.43%	1.53%	1.63%
Direct transaction costs	0.16%	0.12%	0.10%
<b>Prices</b>			
Highest share price	140.44	137.36	139.60
Lowest share price	123.02	117.44	114.52

The foreign exchange rate used to calculate net asset value and net distribution per share as at 31 October 2017 was €1.1399.

## Comparative Tables

continued

### Change in net assets per share

	C Income GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	114.20	102.66	101.80
Return before operating charges <sup>^</sup>	13.70	17.70	6.52
Operating charges	-1.72	-1.68	-1.70
Return after operating charges <sup>^</sup>	11.98	16.02	4.82
Distributions	-4.19	-4.48	-3.96
<b>Closing net asset value per share</b>	<b>121.99</b>	<b>114.20</b>	<b>102.66</b>
<sup>^</sup> After direct transaction costs of	-0.19	-0.13	-0.10
<b>Performance</b>			
Return after charges	10.49%	15.61%	4.73%
<b>Other information</b>			
Closing net asset value	£29,221,446	£14,228,321	£9,421,338
Closing number of shares	23,954,371	12,458,951	9,177,654
Operating charges	1.45%	1.59%	1.63%
Ongoing operating charges*	1.43%	1.53%	1.63%
Direct transaction costs	0.16%	0.12%	0.10%
<b>Prices</b>			
Highest share price	123.54	115.74	109.19
Lowest share price	112.05	96.97	99.46

	C Accumulation GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	126.28	108.86	103.96
Return before operating charges <sup>^</sup>	15.37	19.24	6.67
Operating charges	-1.93	-1.82	-1.77
Return after operating charges <sup>^</sup>	13.44	17.42	4.90
Distributions	-4.69	-4.83	-4.10
Retained distributions on accumulation shares	4.69	4.83	4.10
<b>Closing net asset value per share</b>	<b>139.72</b>	<b>126.28</b>	<b>108.86</b>
<sup>^</sup> After direct transaction costs of	-0.21	-0.14	-0.11
<b>Performance</b>			
Return after charges	10.64%	16.00%	4.71%
<b>Other information</b>			
Closing net asset value	£25,382,732	£13,587,264	£9,871,326
Closing number of shares	18,167,335	10,759,775	9,068,176
Operating charges	1.45%	1.59%	1.63%
Ongoing operating charges*	1.43%	1.53%	1.63%
Direct transaction costs	0.16%	0.12%	0.10%
<b>Prices</b>			
Highest share price	140.55	126.94	112.73
Lowest share price	123.90	104.06	103.21

## Comparative Tables

continued

### Change in net assets per share

	D Income GBP		
	31.10.17 p	31.10.16 p	31.10.15 p
<b>Opening net asset value per share</b>	112.58	100.94	99.84
Return before operating charges <sup>^</sup>	13.51	17.45	6.41
Operating charges	-1.41	-1.40	-1.42
Return after operating charges <sup>^</sup>	12.10	16.05	4.99
Distributions	-4.13	-4.41	-3.89
<b>Closing net asset value per share</b>	<b>120.55</b>	<b>112.58</b>	<b>100.94</b>
<sup>^</sup> After direct transaction costs of	-0.19	-0.12	-0.10
<b>Performance</b>			
Return after charges	10.75%	15.90%	4.99%
<b>Other information</b>			
Closing net asset value	£36,999,027	£24,674,552	£20,090,116
Closing number of shares	30,691,753	21,917,468	19,902,795
Operating charges	1.20%	1.34%	1.38%
Ongoing operating charges*	1.18%	1.28%	1.38%
Direct transaction costs	0.16%	0.12%	0.10%
<b>Prices</b>			
Highest share price	122.08	114.09	107.22
Lowest share price	110.48	95.42	97.75

	D Accumulation GBP		
	31.10.17 p	31.10.16 p	31.10.15 <sup>^^</sup> p
<b>Opening net asset value per share</b>	114.56	98.52	100.00
Return before operating charges <sup>^</sup>	13.92	17.43	-0.12
Operating charges	-1.45	-1.39	-1.36
Return after operating charges <sup>^</sup>	12.47	16.04	-1.48
Distributions	-4.26	-4.27	-2.25
Retained distributions on accumulation shares	4.26	4.27	2.25
<b>Closing net asset value per share</b>	<b>127.03</b>	<b>114.56</b>	<b>98.52</b>
<sup>^</sup> After direct transaction costs of	-0.19	-0.12	-0.10
<b>Performance</b>			
Return after charges	10.89%	16.28%	-1.48%
<b>Other information</b>			
Closing net asset value	£151,500	£12,876	£38,881
Closing number of shares	119,261	11,240	39,467
Operating charges	1.20%	1.34%	1.38%
Ongoing operating charges*	1.18%	1.28%	1.38%
Direct transaction costs	0.16%	0.12%	0.10%
<b>Prices</b>			
Highest share price	127.78	115.16	101.88
Lowest share price	112.44	94.24	94.79

<sup>^^</sup>D Accumulation GBP shares launched 31 March 2015.

Operating charges include indirect costs incurred in the maintenance and running of the Sub-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 Sub-fund increased from £64,566,747 to £104,193,757. Taking an average of the daily net asset values for the last month of the year has the effect of reducing operating charges by 0.02%. The ACD 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 share plus the distributions on income shares minus the opening net asset value per share as a % of the opening net asset value per share.

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 year. The figures used within the table have been calculated against the average net asset value for the accounting year.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Sub-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 Sub-fund. The shaded area in the table below shows the Sub-fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
1	2	3	4	5	6	7

The Sub-fund is ranked 4 because funds of this type have experienced average 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 Sub-fund:

- Investing in other funds may expose investors to increased risk due to less strict regulations and the use of derivatives.
- The price of some funds may not reflect the value of the assets they hold. This can result in wide changes in the share price.
- The other funds can themselves invest in assets such as bonds, company shares, cash and currencies. The objectives and risk profiles of these underlying funds may not be fully in line with those of this Sub-fund.
- 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.
- Bond values are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may not be able to pay the bond income as promised or could fail to repay the capital amount used to purchase the bond.
- For further risk information please see the prospectus.

## Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares 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 Total Return

for the year ended 31 October 2017

	Note	£	31.10.17 £	£	31.10.16 £
Income					
Net capital gains	2		6,358,531		6,756,599
Revenue	3	3,203,728		2,511,801	
Expenses	4	(785,827)		(570,587)	
Interest payable and similar charges	4	–		(1)	
Net revenue before taxation		2,417,901		1,941,213	
Taxation	5	(78,279)		(6,687)	
Net revenue after taxation			2,339,622		1,934,526
<b>Total return before distributions</b>			<b>8,698,153</b>		<b>8,691,125</b>
Distributions	6		(2,968,275)		(2,343,131)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>5,729,878</b>		<b>6,347,994</b>

## Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2017

	£	31.10.17 £	£	31.10.16 £
<b>Opening net assets attributable to Shareholders</b>		<b>64,329,258</b>		<b>49,615,410</b>
Amounts receivable on issue of shares	48,246,983		17,515,431	
Less: Amounts payable on cancellation of shares	(15,783,999)		(10,037,935)	
		32,462,984		7,477,496
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		5,729,878		6,347,994
Retained distributions on accumulation shares		1,051,693		888,358
<b>Closing net assets attributable to Shareholders</b>		<b>103,573,813</b>		<b>64,329,258</b>

The notes on pages 47 to 57 form an integral part of these Financial Statements.

## Balance Sheet

as at 31 October 2017

	Note	£	31.10.17 £	£	31.10.16 £
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			98,075,383		62,047,812
<b>Current Assets</b>					
Debtors	7	1,169,513		491,560	
Cash and bank balances	9	5,013,736		2,343,683	
<b>Total current assets</b>			<b>6,183,249</b>		<b>2,835,243</b>
<b>Total assets</b>			<b>104,258,632</b>		<b>64,883,055</b>
<b>LIABILITIES</b>					
Investment liabilities			–		–
<b>Creditors</b>					
Distribution payable		(455,972)		(330,664)	
Other creditors	8	(228,847)		(223,133)	
<b>Total creditors</b>			<b>(684,819)</b>		<b>(553,797)</b>
<b>Total liabilities</b>			<b>(684,819)</b>		<b>(553,797)</b>
<b>Net assets attributable to Shareholders</b>			<b>103,573,813</b>		<b>64,329,258</b>

The notes on pages 47 to 57 form an integral part of these Financial Statements.



## Notes to the Financial Statements

for the year ended 31 October 2017

### 1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 20 to 21.

<b>2. Net Capital Gains</b>	<b>31.10.17</b>	<b>31.10.16</b>
	<b>£</b>	<b>£</b>
Non-derivative securities	6,367,577	6,756,601
Currency gains	1,259	3,423
Transaction charges	(10,305)	(3,425)
<b>Net capital gains</b>	<b>6,358,531</b>	<b>6,756,599</b>

<b>3. Revenue</b>	<b>31.10.17</b>	<b>31.10.16</b>
	<b>£</b>	<b>£</b>
UK dividends: Ordinary	757,888	607,376
Overseas franked dividends	401,751	310,280
Property Income Distributions	219,079	159,192
Distributions from Regulated Collective Investment Schemes:		
Franked investment income	522,514	432,519
Overseas franked investment income	364,370	344,069
Interest distributions	879,215	658,134
Offshore distributions	58,457	–
Bank interest	454	231
<b>Total revenue</b>	<b>3,203,728</b>	<b>2,511,801</b>

## Notes to the Financial Statements

continued

<b>4. Expenses</b>	<b>31.10.17</b>	<b>31.10.16</b>
	<b>£</b>	<b>£</b>
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	90,028	70,852
Registration fees	70,990	56,855
	<u>161,018</u>	<u>127,707</u>
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	564,300	367,222
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	30,532	31,321
Safe custody and other bank charges	11,262	25,961
	<u>41,794</u>	<u>57,282</u>
Other expenses:		
Audit fee (including VAT)	7,380	7,020
Audit fee (including VAT): taxation services	1,500	1,212
FCA fee	155	200
Legal fees	6,652	6,869
Printing costs	3,028	3,075
	<u>18,715</u>	<u>18,376</u>
<b>Expenses</b>	<b>785,827</b>	<b>570,587</b>
Interest payable and similar charges	–	1
<b>Total</b>	<b>785,827</b>	<b>570,588</b>

## Notes to the Financial Statements

continued

<b>5. Taxation</b>	<b>31.10.17</b>	<b>31.10.16</b>
	<b>£</b>	<b>£</b>
(a) Analysis of charge in the year:		
Corporation tax at 20%	74,276	1,531
Adjustments in respect of prior period	17,684	–
Irrecoverable Income tax	–	5,156
Reclaim of tax suffered on FOF dividends	(13,681)	–
<b>Total tax charge (note 5b)</b>	<b>78,279</b>	<b>6,687</b>
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	2,417,901	1,941,213
Corporation tax at 20%	483,580	388,243
Effects of:		
UK dividends	(256,080)	(207,979)
Movement in surplus management expenses	–	(47,863)
Irrecoverable Income tax	–	5,156
Adjustments in respect of prior periods	17,684	–
Reclaim of tax suffered on FOF dividends	(13,681)	–
Non-taxable overseas earnings	(153,224)	(130,870)
<b>Total tax charge (note 5a)</b>	<b>78,279</b>	<b>6,687</b>

(c) Deferred tax

There is no deferred tax provision at the balance sheet date (2016:nil).

## Notes to the Financial Statements

continued

### 6. Distributions

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

		<b>31.10.17</b>	<b>31.10.16</b>
		£	£
First interim distribution	31.01.17	804,308	603,411
Second interim distribution	30.04.17	541,261	463,200
Third interim distribution	31.07.17	1,077,290	806,253
Final distribution	31.10.17	694,671	524,650
		<b>3,117,530</b>	<b>2,397,514</b>
Revenue deducted on cancellation of shares		80,127	63,317
Revenue received on issue of shares		(229,382)	(117,700)
<b>Distributions</b>		<b>2,968,275</b>	<b>2,343,131</b>

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

Net revenue after taxation per Statement of Total Return		2,339,622	1,934,526
Expenses allocated to capital		785,827	570,586
Relief on expenses allocated to capital		(157,165)	(161,980)
Undistributed revenue brought forward		14	13
Undistributed revenue carried forward		(23)	(14)
<b>Distributions</b>		<b>2,968,275</b>	<b>2,343,131</b>

### 7. Debtors

		<b>31.10.17</b>	<b>31.10.16</b>
		£	£
Amounts receivable on issues		371,508	201,513
Sales awaiting settlement		531,489	–
Accrued income:			
Dividends receivable		201,424	174,306
Income tax recoverable		62,310	112,616
Prepaid expenses:			
KIID fee		2,782	3,125
<b>Total debtors</b>		<b>1,169,513</b>	<b>491,560</b>

## Notes to the Financial Statements

continued

<b>8. Other Creditors</b>	<b>31.10.17</b>	<b>31.10.16</b>
	£	£
Amounts payable on cancellations	68,605	151,277
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	8,864	6,009
Registration fee	5,848	4,656
	14,712	10,665
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	57,824	35,681
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	5,879	5,094
Safe custody and other bank charges	2,108	8,980
	7,987	14,074
Other expenses:		
Audit fee (including VAT)	–	7,020
Audit fee (including VAT): taxation services	3,000	1,500
Legal fees	944	–
Printing costs	1,500	1,386
	5,444	9,906
Taxation payable:		
Corporation tax payable	74,275	1,531
<b>Total other creditors</b>	<b>228,847</b>	<b>223,134</b>
<b>9. Cash and Bank Balances</b>	<b>31.10.17</b>	<b>31.10.16</b>
	£	£
Cash and bank balances	5,013,736	2,343,683
<b>Cash and bank balances</b>	<b>5,013,736</b>	<b>2,343,683</b>

## Notes to the Financial Statements

continued

### 10. Related Party Transactions

Authorised Corporate Director and other fees payable to Maitland Institutional Services Ltd (the ACD) are disclosed in note 4 and amounts due at the year end are shown in note 8.

Fees payable to Hawksmoor Investment Management Limited (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 shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

At the year end the Sub-fund did not hold shares in the MI Hawksmoor Open-Ended Investment Company - The Vanbrugh Fund.

### 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2016: none).

### 12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in Note 12 on pages 26 to 29.

#### Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £9,807,538 (2016: £6,204,781)

#### Currency risk

There is no material foreign currency exposure in the Sub-fund (2016: none).

## Notes to the Financial Statements

continued

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

#### Interest rate risk

The table below details the interest rate risk profile at the balance sheet date:

31.10.17

Currency	Floating rate financial assets £	Assets on which interest distributions are paid £	Assets on which interest distributions is not paid <sup>^</sup> £	Total £
Pound sterling	5,013,736	18,181,360	81,063,536	104,258,632
	<b>5,013,736</b>	<b>18,181,360</b>	<b>81,063,536</b>	<b>104,258,632</b>

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Pound sterling	–	684,819	684,819
	<b>–</b>	<b>684,819</b>	<b>684,819</b>

31.10.16

Currency	Floating rate financial assets £	Assets on which interest distributions are paid £	Assets on which interest distributions is not paid <sup>^</sup> £	Total £
Pound sterling	2,343,683	12,659,751	49,879,621	64,883,055
	<b>2,343,683</b>	<b>12,659,751</b>	<b>49,879,621</b>	<b>64,883,055</b>

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Pound sterling	–	553,797	553,797
	<b>–</b>	<b>553,797</b>	<b>553,797</b>

<sup>^</sup> Comprises of Equity Shares which receive dividend revenue and non interest bearing balance sheet debtors.

## Notes to the Financial Statements

continued

### 13. Portfolio Transaction Costs

31.10.17

Analysis of purchases	Net purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	39,759,402	31,177	0.08%	64,488	0.16%	39,663,737
Funds	23,726,750	–	0.00%	–	0.00%	23,726,750
Corporate actions	500,000	–	0.00%	–	0.00%	500,000
<b>Total purchases after commissions and tax</b>	<b>63,986,152</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	23,375,759	43,493	0.19%	61	0.00%	23,419,313
Funds	10,950,400	–	0.00%	–	0.00%	10,950,400
<b>Total sales after commissions and tax</b>	<b>34,326,159</b>					
Commission as a % of average net assets	0.08%					
Taxes as a % of average net assets	0.08%					

31.10.16

Analysis of purchases	Net purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	12,630,724	18,019	0.14%	32,290	0.26%	12,580,415
Funds	15,138,440	–	0.00%	–	0.00%	15,138,440
Corporate actions	(539,611)	–	0.00%	–	0.00%	(539,611)
<b>Total purchases after commissions and tax</b>	<b>27,229,553</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	9,386,883	18,311	0.20%	21	0.00%	9,405,215
Funds	10,309,190	–	0.00%	–	0.00%	10,309,190
<b>Total sales after commissions and tax</b>	<b>19,696,073</b>					
Commission as a % of average net assets	0.07%					
Taxes as a % of average net assets	0.06%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 40 to 44. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).



## Notes to the Financial Statements

continued

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 31 October 2017 is 0.49% (2016: 0.61%).

### 15. Fair Value Disclosure

Valuation technique	31.10.17		31.10.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 <sup>^</sup>	45,634,328	–	25,841,802	–
Level 2 <sup>^^</sup>	52,441,055	–	36,206,010	–
Level 3 <sup>^^^</sup>	–	–	–	–
	<b>98,075,383</b>	<b>–</b>	<b>62,047,812</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.

### 16. Shareholders Funds

	B Income GBP	B Accumulation GBP	B Accumulation EUR	
Opening number of Shares	1,208,663	314,191	8,771,590	
Shares issued	198,649	91,702	797,481	
Shares cancelled	(201,924)	(38,118)	(1,847,466)	
Shares converted	–	–	–	
<b>Closing number of Shares</b>	<b>1,205,388</b>	<b>367,775</b>	<b>7,721,605</b>	

  

	C Income GBP	C Accumulation GBP	D Income GBP	D Accumulation GBP
Opening number of Shares	12,458,951	10,759,775	21,917,468	11,240
Shares issued	15,020,594	10,776,634	12,776,283	119,766
Shares cancelled	(3,573,066)	(3,379,595)	(3,953,490)	(164)
Shares converted	47,892	10,521	(48,508)	(11,581)
<b>Closing number of Shares</b>	<b>23,954,371</b>	<b>18,167,335</b>	<b>30,691,753</b>	<b>119,261</b>

## Distribution Tables

for the year ended 31 October 2017

### Income Share Distribution

Share class	Distribution	Shares	Net revenue	Equalisation	Distribution payable 2017	Distribution paid 2016
B GBP	First interim	Group 1	1.3642p	–	1.3642p	1.3593p
		Group 2	1.1967p	0.1675p	1.3642p	1.3593p
	Second interim	Group 1	0.8818p	–	0.8818p	1.0139p
		Group 2	0.3190p	0.5628p	0.8818p	1.0139p
	Third interim	Group 1	1.5733p	–	1.5733p	1.6584p
		Group 2	1.2586p	0.3147p	1.5733p	1.6584p
	Final	Group 1	0.9377p	–	0.9377p	1.0512p
		Group 2	0.3796p	0.5581p	0.9377p	1.0512p
C GBP	First interim	Group 1	1.2077p	–	1.2077p	1.1992p
		Group 2	0.8861p	0.3216p	1.2077p	1.1992p
	Second interim	Group 1	0.7687p	–	0.7687p	0.9003p
		Group 2	0.3413p	0.4274p	0.7687p	0.9003p
	Third interim	Group 1	1.3940p	–	1.3940p	1.4479p
		Group 2	0.4544p	0.9396p	1.3940p	1.4479p
	Final	Group 1	0.8176p	–	0.8176p	0.9373p
		Group 2	0.3456p	0.4720p	0.8176p	0.9373p
D GBP	First interim	Group 1	1.1871p	–	1.1871p	1.1765p
		Group 2	0.7864p	0.4007p	1.1871p	1.1765p
	Second interim	Group 1	0.7624p	–	0.7624p	0.8860p
		Group 2	0.3862p	0.3762p	0.7624p	0.8860p
	Third interim	Group 1	1.3725p	–	1.3725p	1.4254p
		Group 2	0.6204p	0.7521p	1.3725p	1.4254p
	Final	Group 1	0.8107p	–	0.8107p	0.9179p
		Group 2	0.3620p	0.4487p	0.8107p	0.9179p

### Accumulation Share Distribution

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2017	Amount reinvested 2016
B GBP	First interim	Group 1	1.7193p	–	1.7193p	1.6354p
		Group 2	0.8034p	0.9159p	1.7193p	– <sup>^</sup>
	Second interim	Group 1	1.1065p	–	1.1065p	1.2093p
		Group 2	0.4565p	0.6500p	1.1065p	– <sup>^</sup>
	Third interim	Group 1	2.0115p	–	2.0115p	2.0582p
		Group 2	0.2556p	1.7559p	2.0115p	2.0582p
	Final	Group 1	1.2000p	–	1.2000p	1.2997p
		Group 2	0.1671p	1.0329p	1.2000p	1.2997p
B EUR	First interim	Group 1	1.3578€c	–	1.3578€c	1.4611€c
		Group 2	0.6216€c	0.7362€c	1.3578€c	1.4611€c
	Second interim	Group 1	0.9078€c	–	0.9078€c	1.0841€c
		Group 2	0.4863€c	0.4215€c	0.9078€c	1.0841€c
	Third interim	Group 1	1.5345€c	–	1.5345€c	1.6389€c
		Group 2	0.0134€c	1.5211€c	1.5345€c	1.6389€c
	Final	Group 1	0.9441€c	–	0.9441€c	1.0015€c
		Group 2	0.3728€c	0.5713€c	0.9441€c	1.0015€c

## Distribution Tables

continued

### Accumulation Share Distribution (continued)

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2017	Amount reinvested 2016
C GBP	First interim	Group 1	1.3368p	–	1.3368p	1.2690p
		Group 2	0.4093p	0.9275p	1.3368p	1.2690p
	Second interim	Group 1	0.8573p	–	0.8573p	0.9653p
		Group 2	0.3225p	0.5348p	0.8573p	0.9653p
	Third interim	Group 1	1.5659p	–	1.5659p	1.5681p
		Group 2	0.7533p	0.8126p	1.5659p	1.5681p
	Final	Group 1	0.9324p	–	0.9324p	1.0310p
		Group 2	0.3721p	0.5603p	0.9324p	1.0310p
D GBP	First interim	Group 1	1.2231p	–	1.2231p	1.1267p
		Group 2	1.0073p	0.2158p	1.2231p	–
	Second interim	Group 1	0.7667p	–	0.7667p	0.8264p
		Group 2	0.4053p	0.3614p	0.7667p	–
	Third interim	Group 1	1.4790p	–	1.4790p	1.4685p
		Group 2	0.0943p	1.3847p	1.4790p	–
	Final <sup>^</sup>	Group 1	0.7906p	–	0.7906p	0.8526p
		Group 2	–	–	–	–

<sup>^</sup>No group 2 shares held.

First interim period: 01.11.16 - 31.01.17  
Second interim period: 01.02.17 - 30.04.17  
Third interim period: 01.05.17 - 31.07.17  
Final period: 01.08.17 - 31.10.17

Group 1: Shares purchased prior to a distribution period  
Group 2: Shares purchased during a distribution period

### Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. 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 shares for capital gains tax purposes.

## General Information

### Authorised Status

MI Hawksmoor Open-Ended Investment Company (the “Company”) is structured as an Investment Company with Variable Capital (“ICVC”), under regulation 12 (Authorisation) of the OEIC Regulations (Open-Ended Investment Companies Regulations 2001 (SI 2001/1228)).

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

The Company is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”) as a UCITS Retail Scheme and “Umbrella Company” under the COLL Sourcebook.

The Company was incorporated in England and Wales on 17 February 2009 under registration number IC000729. The Shareholders are not liable for the debts of the Company.

The Company currently has two Sub-funds, which are detailed below:

MI Hawksmoor - The Vanbrugh Fund  
MI Hawksmoor - The Distribution Fund

### Head Office

Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

### Address for Service

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

### Base Currency

The base currency of the Company is Pounds Sterling.

### Share Capital

The minimum share capital of the Company is £1 and the maximum is £100,000,000,000. Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the net asset value of the Sub-fund.

### Classes of Shares

The Instrument of Incorporation allows each Sub-fund to issue different classes of shares in respect of any Sub-fund.

The Sub-fund’s currently has the following classes of shares available for investment:

Sub-fund	Share Class								
	A GBP		B GBP		C GBP		D GBP		B EUR
	Inc	Acc	Inc	Acc	Inc	Acc	Inc	Acc	Acc
MI Hawksmoor - The Vanbrugh Fund	✓	✓	✓	✓	✓	✓	✓	✓	✓
MI Hawksmoor - The Distribution Fund	–	–	✓	✓	✓	✓	✓	✓	✓

The Company may issue both Income and Accumulation Shares.

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

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

## General Information

continued

### Valuation Point

The scheme property of the Company and each Sub-fund will normally be valued at 10:00 on each dealing day for the purpose of calculating the price at which shares in the Company 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 ACD is open for the buying and selling of shares. The ACD may at any time during a business day carry out an additional valuation of the property of the Sub-fund if the ACD considers it desirable to do so, with the Depositary's approval.

### Buying, Redeeming and Switching of Shares

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

Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

Or by telephone on:

0345 026 4283

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

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

### Pricing Basis

There is a single price for buying, selling and switching shares in a Sub-fund which represents the Net Asset Value of the Sub-fund concerned. The share price is calculated on a forward pricing basis, that is at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

The prices of shares are published daily on [www.maitlandgroup.com](http://www.maitlandgroup.com). Neither the ACD nor the Company can be held responsible for any errors in the publication of the prices. The shares in the Company 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

The Instrument of Incorporation, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office of the Company. Copies may be obtained free of charge upon application. They are also available from the website of the ACD, the details of which are given in the directory of this report.

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

### Remuneration of the Authorised Corporate Director

Following recent changes to the rules applicable to UCITS management companies, the ACD, Maitland Institutional Services Ltd, adopted on 18 March 2016 a revised remuneration policy which is consistent with the new remuneration principles applicable to UCITS management companies.

Its purpose is to ensure that the remuneration of the staff of the ACD is consistent with and promotes sound and effective risk management, does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of itself and the UCITS it manages (including the Company) and does not impair the ACD's compliance with its duty to act in the best interests of the UCITS it manages.

## General Information

continued

Further information is available in the ACD's Remuneration Policy document which can be obtained from [www.maitlandgroup.com](http://www.maitlandgroup.com). A paper copy of the remuneration policy is available on request from the registered office of the ACD free of charge.

<b>31.10.2017</b>	<b>Number of Beneficiaries</b>	<b>Total Remuneration Paid</b>	<b>Fixed Remuneration</b>
Total remuneration paid by the ACD during the year	68	£199,616	£199,616
Remuneration paid to employees of the ACD who have material impact on the risk profile of the Fund	6	£17,613	£17,613

### Risk Warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares 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

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