

The Headway Fund

Annual Report

for the year ended 30 June 2024

## Contents

Page

Report of the Authorised Corporate Director	2
Statement of the Authorised Corporate Director's responsibilities	4
Assessment of Value - The Headway Fund	5
Report of the Depositary to the shareholders of The Headway Fund	9
Independent Auditor's report to the shareholders of The Headway Fund	10
Accounting policies of The Headway Fund	13
Investment Manager's report	15
Portfolio changes	17
Portfolio statement	18
Risk and reward profile	20
Comparative table	21
Financial statements:	
Statement of total return	22
Statement of change in net assets attributable to shareholders	22
Balance sheet	23
Notes to the financial statements	24
Distribution table	33
Remuneration	34
Further information	36
Appointments	37

## The Headway Fund Report of the Authorised Corporate Director ('ACD')

Evelyn Partners Fund Solutions Limited ('EPFL'), as ACD, presents herewith the Annual Report for The Headway Fund for the year ended 30 June 2024.

The Headway Fund ('the Company' or 'the Fund') is an authorised open-ended investment company with variable capital ('ICVC') further to an authorisation order dated 28 February 2006. The Company is incorporated under registration number IC000373. It is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ('COLL'), as published by the Financial Conduct Authority ('FCA').

The ACD is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Company consist predominantly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The Financial Stability Board ('FSB') created the Task Force on Climate-related Financial Disclosures ('TCFD') to improve and increase reporting of climate-related financial information. EPFL have produced TCFD reports in compliance with the FCA's rules on climate-related financial disclosures. The TCFD Product report is designed to help you understand the impact the Company has on the climate and equally how climate change could influence the performance of the Company. The report will also give you the ability to compare a range of climate metrics with other funds. To understand the governance, strategy, and risk management that EPFL has in place to manage the risks and opportunities related to climate change, please refer to the TCFD Entity report. These reports are available on our website <https://www.evelyn.com/services/fund-solutions/tcfd-reporting/>.

The shareholders are not liable for the debts of the Company.

The Company has no Directors other than the ACD.

The Instrument of Incorporation can be inspected at the offices of the ACD.

Copies of the Prospectus and Key Investor Information Document ('KIID') are available on request free of charge from the ACD.

### Investment objective and policy

The investment objective of The Headway Fund is to provide capital growth and to a lesser extent income through investing globally in transferable securities, money market instruments, shares in collective investment schemes, deposits, warrants, derivatives and forward transactions (for hedging purposes), that can best take advantage of economic opportunities worldwide.

There is no limit to which the Company can be invested in each sector.

It is the ACD's intention that derivatives be used for hedging purposes using efficient portfolio management style techniques.

The ACD does not intend to have an interest in any immovable property or tangible movable property.

The Company will be managed in a manner that maintains eligibility for the stocks and shares component of an individual savings account.

## Report of the Authorised Corporate Director (continued)

### Changes affecting the Company in the year

There were no fundamental or significant changes to the Company in the year.

Further information in relation to the Company is illustrated on page 36.

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the Annual Report on behalf of the ACD, Evelyn Partners Fund Solutions Limited.

Neil Coxhead

Director

Evelyn Partners Fund Solutions Limited

27 September 2024

## Statement of the Authorised Corporate Director's responsibilities

The Collective Investment Schemes sourcebook ('COLL') published by the FCA, 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 revenue and net capital gains on the scheme property of the Company for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying 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 the Financial Statements of UK Authorised Funds ('the SORP') issued by The Investment Association in May 2014 and amended in June 2017;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company's 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 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;
- taking reasonable steps for the prevention and detection of fraud and irregularities; and
- the maintenance and integrity of the Company's information on the ACD's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.









COLL also requires the ACD to carry out an Assessment of Value on the Company and publish this assessment within the Annual Report.

The ACD is responsible for the management of the Company in accordance with the Instrument of Incorporation, the Prospectus and COLL.




## Assessment of Value - The Headway Fund

In line with the provisions contained within COLL 6.6.20R, the Board of Evelyn Partners Fund Solutions Limited ('EPFL') as Authorised Corporate Director ('ACD'), has carried out an Assessment of Value for The Headway Fund ('the Fund'). Furthermore, the rules require that EPFL publishes these assessments.

A high-level summary of the outcome of EPFL's rigorous review of the Fund for the year ended 30 June 2024 using the seven criteria set by the FCA is set out below:

1. Quality of Service	
2. Performance	
3. ACD Costs	
4. Economies of Scale	
5. Comparable Market Rates	
6. Comparable Services	
7. Classes of Shares	
Overall Rating	

EPFL has adopted a traffic light system to show how it rated the Fund:

-  On balance, the Board believes the Fund has delivered value to shareholders, with no material issues noted.
-  On balance, the Board believes the Fund has delivered value to shareholders, but may require some action.
-  On balance, the Board believes the Fund has not delivered value to shareholders and significant remedial action is now planned by the Board.

How EPFL assessed each of the seven criteria and the rating arrived at are discussed in greater detail on the following pages.

EPFL has created an Assessment of Value Committee ('AVC'), for the review, challenge and approval of all funds' Assessments of Value. Ultimately the assessments will be subject to scrutiny by the Board (which includes independent directors) to ensure the outcomes of the assessments are clear and fair, before final sign-off by the chair of the Board prior to communicating to investors if the Fund has delivered value, and if not, where improvements need to be made.

In carrying out the assessment, the EPFL AVC has separately considered, the following seven criteria stipulated by the FCA. The Committee may also have considered other issues where it was deemed appropriate.

EPFL believes the Assessment of Value can make it easier for investors to both evaluate whether the Fund is providing them with value for money and make more informed decisions when choosing investments.

The seven criteria are:

- (1) Quality of service – the quality of every aspect of the service provided, including, for example, accounting, administration, customer services and communications;
- (2) Performance – how the Fund performed, including whether it met targets and objectives, kept to relevant policy, followed relevant principles, kept to reasonable timescales;
- (3) ACD costs – the fairness and value of the Fund's costs, including entry and exit fees, early redemption fees, administration charges;
- (4) Economies of scale – how costs have been or can be reduced as a result of increased assets-under-management ('AUM'), and whether or not those savings have been passed on to investors;
- (5) Comparable market rates – how the costs of the Fund compare with others in the marketplace;
- (6) Comparable services – how the charges applied to the Fund compare with those of other funds administered by EPFL;
- (7) Classes of shares – the appropriateness of the classes of shares in the Fund for investors.

## Assessment of Value - The Headway Fund (continued)

### 1. Quality of Service

What was assessed in this section?

#### Internal Factors

EPFL, as ACD, has overall responsibility for the Fund. The Board assessed, amongst other things: the day-to-day administration of the Fund; the maintenance of scheme documentation (such as prospectuses and key investor information documents ('KIIDs')); the pricing and valuation of shares; the calculation of income and distribution payments; the maintenance of accounting and other records; the preparation of annual audited and half-yearly Report & Accounts; the review of tax provisions and submission of tax computations to HMRC; the maintenance of the register of shareholders; the dealing and settlement arrangements and the quality of marketing material sent to shareholders. EPFL delegates the Investment Management of the Fund to a delegated Investment Management firm.

The Board reviewed information provided by EPFL's control functions on the adequacy of its internal services, including governance, operations and monitoring. Elements important to the investor experience such as the timely payment of settlement and distribution monies were also reviewed. Over the past year, EPFL has been audited by internal and external auditors, the Fund's Depositary and various EPFL delegated Investment Managers.

#### External Factors

The Board assessed the delegate's skills, processes and experience. Also considered were any results from service review meetings as well as the annual due diligence performed by EPFL on the delegated Investment Manager, Stanhope Capital LLP where consideration was given to, amongst other things, the delegate's controls around the Fund's liquidity management.

The Board also considered the nature, extent and quality of administrative and shareholder services performed under separate agreements covering depositary services, custodians, as well as services provided with regard to both audit and legal functions.

What was the outcome of the assessment?

#### Internal Factors

The Board recognised that all distribution and settlement monies were paid in a timely manner and that there were no significant findings as a result of the various audits performed on EPFL during the year. In addition, EPFL has performed its own independent analysis, using automated systems, of the Fund's liquidity. The Board concluded that EPFL had carried out its duties diligently.

#### External Factors

The Board concluded that the nature, extent and quality of the services provided by the external parties have benefitted and should continue to benefit the Fund and its shareholders.

Were there any follow up actions?

There were no follow-up actions required.

### 2. Performance

What was assessed in this section?

The Board reviewed the performance of the Fund, after the deduction of all payments out of the scheme property as set out in the Prospectus. Performance, against its benchmark, was considered over appropriate timescales having regard to the Fund's investment objective, policy and strategy. The Board also considered whether an appropriate level of market risk had been taken.

#### Investment Objective

The investment objective of The Headway Fund is to provide capital growth and to a lesser extent income through investing globally in transferable securities, money market instruments, shares in collective investment schemes, deposits, warrants, derivatives and forward transactions (for hedging purposes), that can best take advantage of economic opportunities worldwide.

#### Benchmark

As ACD, EPFL is required to explain in a fund's scheme documentation why a benchmark is being used or alternatively explain how investors should assess performance of a fund in the absence of a benchmark.

## Assessment of Value - The Headway Fund (continued)

### 2. Performance (continued)

#### Benchmark (continued)

The benchmark for the Fund is the ARC Sterling Steady Growth PCI, which is a comparator. A 'comparator' benchmark is an index or similar factor against which an Investment Manager invites investors to compare a fund's performance. Details of how the Fund had performed against its comparator benchmark over various timescales can be found below.

Cumulative Performance as at 31 May 2024 (%)

	Currency	1 year	3 year	5 year
ARC Sterling Steady Growth PCI	GBP	10.64	6.70	24.22
The Headway Fund	GBX	11.33	6.94	32.29

Data provided by FE fundinfo. Care has been taken to ensure that the information is correct but FE fundinfo neither warrants, represents nor guarantees the contents of the information, nor does it accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

Performance is calculated net of fees. Past performance is not a guide to future performance.

#### What was the outcome of the assessment?

The Board assessed the performance of the Fund over the recommended investment period of five years and observed that it had outperformed its comparator benchmark, ARC Sterling Steady Growth PCI.

Consideration was given to the risk metrics associated with the Fund which focused on, amongst other things, volatility and risk adjusted returns where EPFL were comfortable that the outcomes were in line with the Fund's performance.

The Board found that the Fund is investing in the asset classes permitted by the investment policy and that there have been no breaches of the policy in the last 12 months.

#### Were there any follow up actions?

There were no follow-up actions required.

### 3. ACD Costs

#### What was assessed in this section?

The Board reviewed each separate charge to ensure that they were reasonable and reflected the services provided. This included the ACD's periodic charge, Investment Manager's fee, Depositary/Custodian fees and audit fee.

The charges should be transparent and understandable to the investor, with no hidden costs.

#### What was the outcome of the assessment?

The Board received and considered information about each of the Fund's costs, and concluded that they were fair, reasonable and were provided on a competitive basis.

#### Were there any follow up actions?

There were no follow-up actions required.

### 4. Economies of Scale

#### What was assessed in this section?

The Board reviewed each separate fee structure and the AUM of the Fund to examine the effect on the Fund to potential and existing investors should it increase or decrease in value.

#### What was the outcome of the assessment?

Both the ACD's periodic charge and Investment Manager's fee are fixed percentage charges meaning there are no opportunities for savings going forward should the Fund grow in size.

The ancillary charges of the Fund represent 18 basis points<sup>1</sup>. Some of these costs are fixed and as the Fund grows in size, may result in a small reduction in the basis point cost of these services.

#### Were there any follow up actions?

There were no follow-up actions required.

<sup>1</sup> One basis point is equal to 1/100th of 1%, or 0.01%. Figure calculated at interim report, 31 December 2023.



## Assessment of Value - The Headway Fund (continued)

### 5. Comparable Market Rates

What was assessed in this section?

The Board reviewed the ongoing charges figure ('OCF') of the Fund and how those charges affect its returns.

The OCF of the Fund was compared against the 'market rate' of similar external funds.

What was the outcome of the assessment?

The OCF of 1.61%<sup>2</sup> was more expensive than those of similar externally managed funds.

Note that there is no performance fee and that EPFL has not charged an entry fee, exit fee or any other event-based fees on this Fund.

Were there any follow up actions?

There was no further action required as the Board were of the opinion that no element within the OCF gave any cause for concern.

### 6. Comparable Services

What was assessed in this section?

The Board compared the Investment Manager's fee with those of other funds administered by EPFL having regard to size, investment objectives and policies.

What was the outcome of the assessment?

The Investment Manager's fee compared favourably with other EPFL administered funds displaying similar characteristics.

Were there any follow up actions?

There were no follow-up actions required.

### 7. Classes of Shares

What was assessed in this section?

The Board reviewed the Fund's set-up to ensure that where there are multiple share classes shareholders were in the correct share class given the size of their holding.

What was the outcome of the assessment?

There is only one share class in the Fund, therefore this part of the assessment does not apply.

Were there any follow up actions?

There were no follow-up actions required.

### Overall Assessment of Value

Notwithstanding the matter referenced in Section 5, the Board concluded that The Headway Fund had provided value to investors.

Dean Buckley

Chairman of the Board of Evelyn Partners Fund Solutions Limited

19 August 2024

#### Consumer Feedback

On reviewing this Assessment of Value report, we would welcome invaluable feedback from investors via our short questionnaire which can be found online:

<https://www.evelyn.com/services/fund-solutions/assessment-of-value/>

Investors' views are invaluable to the development and delivery of this report.

Should you be unable to access the questionnaire online please contact us directly on 0141 222 1151 and we will provide you with a paper copy of the questionnaire.

<sup>2</sup> Figure calculated at interim report, 31 December 2023.

## Report of the Depositary to the shareholders of The Headway Fund

### Depositary's responsibilities

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) (the OEIC regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the 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, 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 revenue is applied in accordance with the Regulations; and
- the instructions of the Authorised Corporate Director ('ACD') 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 the 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 ACD:

- (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 revenue 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.

NatWest Trustee and Depositary Services Limited  
27 September 2024

## Independent Auditor's report to the shareholders of The Headway Fund

### Opinion

We have audited the financial statements of The Headway Fund (the 'Company') for the year ended 30 June 2024, which comprise the Statement of total return, Statement of change in net assets attributable to shareholders, Balance sheet, the related Notes to the financial statements, including significant accounting policies and the Distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the financial position of the Company as at 30 June 2024 and of the net revenue and the net capital gains on the scheme property of the Company for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the Investment Association Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes sourcebook (COLL Rules) of the Financial Conduct Authority and the Instrument of Incorporation.

### Basis for Opinion

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

### Conclusions Relating to Going Concern

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

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

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

### Other Information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Authorised Corporate Director is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on Other Matters Prescribed by the COLL Rules

In our opinion, based on the work undertaken in the course of the audit:

- Proper accounting records for the Company have been kept and the accounts are in agreement with those records;
- We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- The information given in the Report of the Authorised Corporate Director for the year is consistent with the financial statements.

## Independent Auditor's report to the shareholders of The Headway Fund (continued)

### Responsibilities of the Authorised Corporate Director

As explained more fully in the Statement of the Authorised Corporate Director's responsibilities set out on page 4, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Authorised Corporate Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor Responsibilities for the Audit of the Financial Statements

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

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

### *Extent to which the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 and the IA Statement of Recommended Practice for Authorised Funds;
- The Financial Conduct Authority's COLL Rules; and
- The Company's Prospectus.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of the Authorised Corporate Director. We corroborated these enquiries through our review of submitted returns, external inspections, relevant correspondence with regulatory bodies and the Company's breaches register.

## Independent Auditor's report to the shareholders of The Headway Fund (continued)

### Auditor Responsibilities for the Audit of the Financial Statements (continued)

#### *Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)*

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how the Authorised Corporate Director was remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how the Authorised Corporate Director oversees the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls; and
- The completeness and classification of special dividends between revenue and capital.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing the level of and reasoning behind the Company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Authorised Corporate Director in its calculation of accounting estimates for potential management bias;
- Using a third-party independent data source to assess the completeness of the special dividend population and determining whether special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments;
- Assessing the Company's compliance with the key requirements of the Collective Investment Schemes sourcebook and its Prospectus;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the IA Statement of Recommended Practice for Authorised Funds; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

### Use of Our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP  
Chartered Accountants  
Statutory Auditor  
Bishop's Court  
29 Albyn Place  
Aberdeen AB10 1YL  
27 September 2024

## Accounting policies of The Headway Fund

for the year ended 30 June 2024

### a *Basis of accounting*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and in accordance with the Statement of Recommended Practice for UK Authorised Funds ('the SORP') published by The Investment Association in May 2014 and amended in June 2017, and the requirements of the Collective Investment Schemes sourcebook ('COLL').

The ACD has considered a detailed assessment of the Fund's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Fund continues to be open for trading and the ACD is satisfied the Fund has adequate financial resources to continue in operation for at least the next 12 months and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

### b *Valuation of investments*

The purchases and sales of investments are included up to close of business on the last business day of the accounting year.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver an asset arises.

The quoted investments of the Fund have been valued at the global closing bid-market prices on which the stocks are quoted on the last business day of the accounting year.

Collective investment schemes are valued at the bid price for dual priced funds and at the single price for single priced funds and are valued at their most recent published price prior to the close of business valuation on 30 June 2024.

Derivatives are valued at the price which would be required to close out the contract at the balance sheet date.

### c *Foreign exchange*

The base currency of the Fund is UK sterling which is taken to be the Fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

### d *Revenue*

Revenue is recognised in the Statement of total return on the following basis:

Dividends from quoted equity instruments and non equity shares are recognised as revenue, net of attributable tax credits on the date when the securities are quoted ex-dividend.

Overseas dividends are recognised as revenue gross of any withholding tax and the tax consequences are recognised within the tax expense.

Distributions from collective investment schemes are recognised as revenue on the date the securities are quoted ex-dividend. Equalisation on distributions from collective investment schemes is deducted from the cost of the investment and does not form part of the Fund's distribution.

Distributions from collective investment schemes which are re-invested on behalf of the Fund are recognised as revenue on the date the securities are quoted ex-dividend and form part of the Fund's distribution.

Excess reportable income from reporting offshore funds is recognised as revenue when the reported distribution rate is available and forms part of the Fund's distribution.

Compensation is treated as either revenue or capital in nature depending on the facts of each particular case.

## Accounting policies of The Headway Fund (continued)

for the year ended 30 June 2024

### d Revenue (continued)

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

Management fee rebates agreed in respect of holdings in other collective investment schemes are recognised on an accruals basis and are allocated to revenue or capital being determined by the allocation of the expense in the collective investment scheme held.

### e Expenses

All expenses, other than those relating to the purchase and sale of investments, are charged to revenue on an accrual basis.

Bank interest paid is charged to revenue.

### f Taxation

Tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

UK corporation tax is provided as amounts to be paid/recovered using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at 30 June 2024 to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Provision for deferred tax assets are only made to the extent the timing differences are expected to be of future benefit.

All foreign dividend revenue is recognised as a gross amount which includes any withholding tax deducted at source. Where foreign tax is withheld in excess of the applicable treaty rate a tax debtor is recognised to the extent that the overpayment is considered recoverable.

### g Efficient Portfolio Management

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts may be used for Efficient Portfolio Management purposes. Where such instruments are used to protect or enhance revenue, the revenue or expenses derived therefrom are included in the Statement of total return as revenue related items and form part of the distribution. Where such instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in the Statement of total return as capital related items.

### h Dilution levy

The need to charge a dilution levy will depend on the volume of sales or redemptions. The ACD may charge a discretionary dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected, and if charging a dilution levy is, so far as practicable, fair to all shareholders and potential shareholders. Please refer to the Prospectus for further information.

### i Distribution policies

#### i Basis of distribution

The distribution policy is to distribute all available revenue after deduction of expenses payable from revenue. Distributions attributable to income shares are paid to shareholders.

#### ii Unclaimed distributions

Distributions to shareholders outstanding after 6 years are taken to the capital property of the Fund.

#### iii Revenue

All revenue is included in the final distribution with reference to policy d.

#### iv Expenses

Expenses incurred against the revenue of the Fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to policy e.

## Investment Manager's report

### Investment performance\*

	Share price	ARC Sterling Steady Growth PCI
30 June 2023	194.2p	281.4
28 June 2024	215.7p	312.0
Return for the period	11.1%	10.9%

The performance of the Fund (capital only) for the 12 month period to 28 June 2024, being the last business day, was 11.1% (mid basis, based on 12pm prices).

### Investment activities

Turnover in the second half of 2023 was fairly low. However, with bond yields beginning to look attractive, the portfolio's exposure to fixed income was increased by way of top ups of AXA Fixed Interest Investment ICVC - Sterling Credit Short Duration Bond Fund and PIMCO Funds: Global Investors Series - Income Fund. This was primarily funded via the sale of Polar Capital Funds - Healthcare Opportunities Fund and profits being taken from the Comgest Growth - Europe.

In October, after a poor three months for equities, we also took the opportunity to top up existing positions in HSBC MSCI WORLD UCITS ETF and iShares Core S&P 500 UCITS ETF.

Turnover in the first half of 2024 was also low. We made one change during the period in June, redeeming Lindsell Train Global Equity Fund, in favour of iShares MSCI World GBP Hedged UCITS ETF. We also added a new position in the Fund through the HarbourVest Global Private Equity, an investment trust trading at a significant discount to its net asset value.

### Investment strategy and outlook\*\*

The primary investment objective of the Fund is to provide long-term capital growth and, as such, the Fund is invested in a diversified range of third-party actively managed funds and passive exchange traded funds ('ETFs'), investing across a number of asset classes, with the largest allocation being to global equities. The overall investment strategy of the Fund has not changed over this period.

Bond and equity markets generally struggled to make ground over the third quarter of 2023, with most falling back in local currency terms in the face of further interest rate hikes, rising oil prices and comments from the Federal Reserve ('Fed') that interest rates might have to stay higher for longer than it had previously indicated if inflation was to be brought under control. Returns from overseas markets were, however, boosted by weakness in sterling and US dollar strength during the quarter.

In contrast, the final quarter of 2023 saw bond and equity markets generally perform well as investors began to anticipate interest rate cuts given the continued improvement in inflation and comments from central banks suggesting that further interest rate rises were unlikely as inflation was coming back under control. In December the US Fed indicated that there was likely to be a reduction in US interest rates in 2024, causing both bond and equity markets to rally further into year-end.

The strength of the final two months of the year also came after a difficult start the quarter, which included increased geo-political tensions in the Middle East as a result of the Hamas attack on Israel in October and the subsequent conflict in Gaza.

The quarter saw inflation improving across all regions. In the US, Consumer Price Index inflation fell from 3.7% in August to 3.1% in November and in the eurozone from 4.3% to 2.4%. Inflation was a little stickier in the UK but it still fell from 6.7% to 3.9% over the quarter.

Inflation aside, economic data reported over the quarter remained mixed. Gross Domestic Product ('GDP') data reported during the quarter showed the US economy was still growing at a healthy 2.9% year on year in the third quarter but growth turned negative in the eurozone and UK, albeit only marginally by 0.1% quarter on quarter.

Due to the improvement in inflation numbers, the major central banks kept interest rates unchanged through the quarter. In the US, the Fed held the funds rate at 5.25-5.50%, the European Central Bank ('ECB') kept its main deposit rate at 4.00% and the Bank of England ('BoE') is currently maintaining a base rate of 5.25%.

\* Source: Morningstar Direct, 2024 and ARC Research.

\*\* Source: Bloomberg.



## Investment Manager's report (continued)

### Investment strategy and outlook\*\* (continued)

Despite many roadblocks for investors including the highest borrowing costs in over two decades; a regional banking crisis; geopolitical tensions; depressed expectations and fears of recession, market returns in 2023 presented the mirror image of the declines of 2022. Investors enjoyed gains across all sectors, styles and market caps and, in contrast to last year, we saw all but one of the major asset classes experience positive returns.

Following on from a positive year for equity markets in 2023, the first quarter of 2024 saw a continuation, with markets rising further on the back of strong US economic data and growing confidence that the US would avoid recession in 2024. Bond markets, however, were generally subdued as comments from central banks suggested that interest rate cuts might not come through as fast as investors expected despite the improvement in inflation over the previous twelve months.

Although GDP data reported during the quarter showed the US economy was still growing at a healthy 3.1% rate year on year in the fourth quarter of 2023, year on year growth for the fourth quarter was just 0.1% in the eurozone and negative 0.2% in the UK. This meant the UK was technically in recession, as the fourth quarter was the second consecutive quarter of negative growth.

Emerging Market equities continued to underperform developed markets in the first quarter. However, of the larger Emerging Markets, India was positive over the quarter whilst both Brazil and China were in negative territory.

The US Fed, ECB and BoE kept interest rates on hold over the quarter, whilst the Swiss National Bank became the first central bank of a major economy to reduce interest rates, as they moved their benchmark rate from 1.75% to 1.5%. In contrast, the Bank of Japan increased its official rate from negative 0.1% to a range of 0.0% to 0.1% in the first change to its policy since 2016. This was also its first interest rate rise in 17 years.

In local currency terms, both the US and Japanese equity markets continued to move upwards over the second quarter, whilst in Continental Europe and the UK returns were negative, with France particularly suffering in the wake of the snap election announced by President Macron. Within global markets, the best performing sectors by far were technology and telecoms, while the worst performing were the materials and consumer discretionary sectors.

Many commodities also enjoyed a strong quarter, as both oil and metals rose. Silver, platinum and copper saw particularly strong rises over the quarter. Conversely, the price of many agricultural commodities, including corn, soybeans and wheat, continued to decline.

The forecast for global growth remains lacklustre this year, but with inflation falling from its highs, central banks may look to loosen monetary policy in response, which could help to support equity markets into year-end.

Much of this year's gain in equity markets has been driven by a limited number of mega-cap stocks, particularly those benefitting from the advancement of Artificial Intelligence capabilities. Elsewhere, valuations continue to look reasonable and we would hope to see a broadening out of returns as other sectors benefit from a more benign interest rate environment.

Stanhope Capital LLP  
17 July 2024

\*\* Source: Bloomberg.

## Portfolio changes

for the year ended 30 June 2024

The following represents the total purchases and sales in the year to reflect a clearer picture of the investment activities.

	Cost
Purchases:	£
iShares MSCI World GBP Hedged UCITS ETF	361,799
HSBC MSCI WORLD UCITS ETF	270,903
Invesco GBP Corporate Bond UCITS ETF	270,332
HarbourVest Global Private Equity	240,688
iShares Core S&P 500 UCITS ETF	109,407
PIMCO Funds: Global Investors Series - Income Fund	109,042
AXA Fixed Interest Investment ICVC - Sterling Credit Short Duration Bond Fund	54,514
	Proceeds
Sales:	£
JPMorgan Liquidity Funds - GBP Liquidity LVNAV Fund	973,084
Lindsell Train Global Equity Fund	363,184
Polar Capital Funds - Healthcare Opportunities Fund	267,760
Comgest Growth - Europe	109,112

## Portfolio statement

as at 30 June 2024

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - Europe 1.78% (2.21%)			
Altamir	10,185	215,021	1.78
Closed-Ended Funds - United Kingdom 2.12% (0.00%)			
HarbourVest Global Private Equity	10,415	256,730	2.12
Collective Investment Schemes 87.95% (92.23%)			
UK Authorised Collective Investment Schemes 18.39% (17.97%)			
AXA Fixed Interest Investment ICVC - Sterling Credit Short Duration Bond Fund	640,704	621,483	5.14
Baillie Gifford Long Term Global Growth Investment Fund	42,827	500,649	4.14
First Sentier Investors ICVC			
- Stewart Investors Asia Pacific Leaders Sustainability	22,686	245,079	2.03
Franklin Templeton Funds			
- FTF Clearbridge Global Infrastructure Income Fund	234,454	224,068	1.85
Fundsmith Equity Fund	51,099	330,220	2.73
Trojan Investment Funds - Trojan Fund	93,154	301,660	2.50
Total UK authorised collective investment schemes		2,223,159	18.39
Offshore Collective Investment Schemes 69.56% (74.26%)			
Allspring Lux Worldwide Fund - Global Long/Short Equity Fund	2,918	304,684	2.52
Amundi Bloomberg Equal-weight Commodity ex-Agriculture UCITS ETF	11,523	231,267	1.91
Cantillon Global Equity Fund	7,269	466,803	3.86
Comgest Growth - Europe	11,114	433,281	3.58
Dodge & Cox Worldwide Funds - U.S. Stock Fund	17,165	581,728	4.81
Eleva European Selection Fund	287	365,273	3.02
Fulcrum UCITS SICAV - Fulcrum Diversified Absolute Return Fund	2,865	361,709	2.99
GQG Partners Emerging Markets Equity Fund	26,577	370,751	3.07
HSBC MSCI WORLD UCITS ETF	20,783	584,574	4.84
Invesco GBP Corporate Bond UCITS ETF	11,565	278,601	2.31
iShares Core S&P 500 UCITS ETF	17,808	771,431	6.38
iShares Edge MSCI World Value Factor UCITS ETF	110,915	479,486	3.97
iShares MSCI World GBP Hedged UCITS ETF	3,820	362,251	3.00
JPMorgan Liquidity Funds - GBP Liquidity LVNAV Fund	27,575	27,575	0.23
Longchamp Dalton Japan Long Only UCITS Fund	244	338,042	2.80
PIMCO Funds: Global Investors Series - Income Fund	71,633	646,850	5.35
PineBridge Asia ex Japan Small Cap Equity Fund	9,456	127,925	1.06
Polen Capital Investment Funds - Focus US Growth	24,582	351,519	2.91
Ruffer SICAV - Ruffer Total Return International	297,192	509,031	4.21
Velox Fund	2,737	269,350	2.23
Vontobel Fund - mtX Sustainable Asian Leaders Ex Japan	674	235,296	1.95
Wellington Durable Companies Fund	11,946	309,874	2.56
Total offshore collective investment schemes		8,407,301	69.56
Total collective investment schemes		10,630,460	87.95
Exchange Traded Commodities 2.15% (1.95%)			
Gold Bullion Securities	1,532	259,765	2.15

## Portfolio statement (continued)

as at 30 June 2024

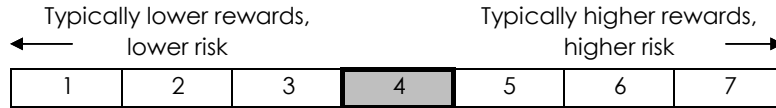
	Nominal value or holding	Market value £	% of total net assets
Investment			
Forward Currency Contracts -0.05% (0.01%)			
Sell euro	(€705,457)	(600,093)	
Buy UK sterling	£598,087	598,087	
Expiry date 19 September 2024		(2,006)	(0.01)
Sell US dollar	(\$913,544)	(722,254)	
Buy UK sterling	£717,704	717,704	
Expiry date 19 September 2024		(4,550)	(0.04)
Total forward currency contracts		(6,556)	(0.05)
Investment assets		11,361,976	94.00
Investment liabilities		(6,556)	(0.05)
Portfolio of investments		11,355,420	93.95
Other net assets		731,050	6.05
Total net assets		12,086,470	100.00

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated. Forward contracts are not listed on stock exchanges and are considered over-the-counter instruments.

The comparative figures in brackets are as at 30 June 2023.

## Risk and reward profile\*

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



The Fund is in a medium category because the price of its investments have risen or fallen to some extent. The category shown is not guaranteed to remain unchanged and may shift over time. Even the lowest category does not mean a risk-free investment.

For full details on risk factors for the Fund, please refer to the Prospectus.

There have been no changes to the risk and reward indicator in the year.

\* As per the KIID published on 26 March 2024.

## Comparative table

The following disclosures give a shareholder an indication of the performance of a share in the Fund. It also discloses the operating charges and direct transaction costs applied to each share. Operating charges are those charges incurred in operating the Fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

	2024	2023	2022
	p	p	p
<b>Net Income</b>			
Change in net assets per share			
Opening net asset value per share	193.82	184.55	206.42
Return before operating charges	25.80	13.48	(17.86)
Operating charges	(3.19)	(3.15)	(3.18)
Return after operating charges *	22.61	10.33	(21.04)
Distributions <sup>^</sup>	(1.99)	(1.06)	(0.83)
Closing net asset value per share	214.44	193.82	184.55
* after direct transaction costs of:	0.03	0.05	0.02
<b>Performance</b>			
Return after charges	11.67%	5.60%	(10.19%)
<b>Other information</b>			
Closing net asset value (£)	12,086,470	10,924,669	10,401,730
Closing number of shares	5,636,404	5,636,404	5,636,404
Operating charges <sup>^^</sup>	1.59%	1.66%	1.56%
Direct transaction costs	0.02%	0.03%	0.01%
<b>Published prices</b>			
Highest share price	215.7	196.1	215.7
Lowest share price	188.4	182.6	182.7

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

<sup>^</sup> Rounded to 2 decimal places.

<sup>^^</sup> The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the ACD's periodic charge and the Investment Manager's fee which are included in the annual management charge, but also includes the costs for other services paid. It is indicative of the charges which may occur in a year as it is calculated on historical data.

The OCF includes expenses incurred by underlying holdings of collective investment schemes in relation to the Fund (the synthetic 'OCF').

## Financial statements - The Headway Fund

### Statement of total return for the year ended 30 June 2024

	Notes	2024		2023	
		£	£	£	£
Income:					
Net capital gains	2		1,161,801		522,940
Revenue	3	226,110		167,995	
Expenses	4	<u>(113,945)</u>		<u>(105,944)</u>	
Net revenue before taxation		112,165		62,051	
Taxation	5	<u>-</u>		<u>(2,363)</u>	
Net revenue after taxation			<u>112,165</u>		<u>59,688</u>
Total return before distributions			1,273,966		582,628
Distributions	6		(112,165)		(59,689)
Change in net assets attributable to shareholders from investment activities			<u>1,161,801</u>		<u>522,939</u>

### Statement of change in net assets attributable to shareholders for the year ended 30 June 2024

	2024	2023
	£	£
Opening net assets attributable to shareholders	10,924,669	10,401,730
Change in net assets attributable to shareholders from investment activities	1,161,801	522,939
Closing net assets attributable to shareholders	<u>12,086,470</u>	<u>10,924,669</u>

Balance sheet  
as at 30 June 2024

	Notes	2024 £	2023 £
Assets:			
Fixed assets:			
Investments		11,361,976	10,538,051
Current assets:			
Debtors	7	16,867	13,134
Cash and bank balances	8	792,069	443,031
Total assets		<u>12,170,912</u>	<u>10,994,216</u>
Liabilities:			
Investment liabilities			
		(6,556)	(6,150)
Creditors:			
Distribution payable		(62,170)	(48,868)
Other creditors	9	(15,716)	(14,529)
Total liabilities		<u>(84,442)</u>	<u>(69,547)</u>
Net assets attributable to shareholders		<u><u>12,086,470</u></u>	<u><u>10,924,669</u></u>



## Notes to the financial statements

for the year ended 30 June 2024

### 1. Accounting policies

The accounting policies are disclosed on pages 13 and 14.

### 2. Net capital gains

	2024	2023
	£	£
Non-derivative securities - realised gains	379,172	259,396
Non-derivative securities - movement in unrealised gains	721,444	170,857
Currency (losses) / gains	(8,697)	6,024
Forward currency contracts gains	67,745	87,241
Compensation	2,509	-
Transaction charges	(372)	(578)
Total net capital gains	<u>1,161,801</u>	<u>522,940</u>

### 3. Revenue

	2024	2023
	£	£
UK revenue	15,841	3,469
Unfranked revenue	22,884	11,026
Overseas revenue	157,948	136,008
Bank and deposit interest	26,970	14,738
Rebates from collective investment schemes	2,467	2,754
Total revenue	<u>226,110</u>	<u>167,995</u>

### 4. Expenses

	2024	2023
	£	£
Payable to the ACD and associates		
ACD's periodic charge*	25,034	25,000
Investment Manager's fee*	<u>65,733</u>	<u>61,982</u>
	<u>90,767</u>	<u>86,982</u>
Payable to the Depositary		
Depositary fees	<u>9,012</u>	<u>9,000</u>
Other expenses:		
Audit fee	8,700	7,632
Non-executive directors' fees	1,641	1,642
Safe custody fees	546	412
Bank interest	2,985	-
FCA fee	70	131
KIID production fee	224	145
	<u>14,166</u>	<u>9,962</u>
Total expenses	<u>113,945</u>	<u>105,944</u>

\* For the year ended 30 June 2024, the annual management charge is 0.80%. The annual management charge includes the ACD's periodic charge and the Investment Manager's fee.

## Notes to the financial statements (continued)

for the year ended 30 June 2024

5. Taxation	2024	2023
	£	£
<i>a. Analysis of the tax charge for the year</i>		
Overseas tax withheld	-	2,363
Total taxation (note 5b)	<u>-</u>	<u>2,363</u>

### *b. Factors affecting the tax charge for the year*

The tax assessed for the year is lower (2023: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2023: 20%). The differences are explained below:

	2024	2023
	£	£
Net revenue before taxation	<u>112,165</u>	<u>62,051</u>
Corporation tax @ 20%	22,433	12,410
Effects of:		
UK revenue	(3,168)	(694)
Overseas revenue	(15,220)	(13,240)
Overseas tax withheld	-	2,363
Excess management expenses	-	1,524
Utilisation of excess management expenses	<u>(4,045)</u>	<u>-</u>
Total taxation (note 5a)	<u>-</u>	<u>2,363</u>

### *c. Provision for deferred taxation*

At the year end, a deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £95,738 (2023: £99,783).

## 6. Distributions

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

	2024	2023
	£	£
Interim income distribution	49,995	10,821
Final income distribution	<u>62,170</u>	<u>48,868</u>
Total net distributions	<u>112,165</u>	<u>59,689</u>

Reconciliation between net revenue and distributions:

Net revenue after taxation per Statement of total return	112,165	59,688
Undistributed revenue brought forward	1	2
Undistributed revenue carried forward	<u>(1)</u>	<u>(1)</u>
Distributions	<u>112,165</u>	<u>59,689</u>

Details of the distribution per share are disclosed in the Distribution table.

## Notes to the financial statements (continued)

for the year ended 30 June 2024

7. Debtors	2024	2023
	£	£
Accrued revenue	11,438	10,790
Recoverable overseas withholding tax	2,331	-
Prepaid expenses	114	-
Prepaid overdraft interest	1,585	-
Recoverable income tax	215	1,636
Accrued rebates from collective investment schemes	1,184	708
Total debtors	<u>16,867</u>	<u>13,134</u>
8. Cash and bank balances	2024	2023
	£	£
Total cash and bank balances	<u>792,069</u>	<u>443,031</u>
9. Other creditors	2024	2023
	£	£
Accrued expenses:		
Payable to the ACD and associates		
ACD's periodic charge	137	-
Investment Manager's fee	5,696	5,170
	<u>5,833</u>	<u>5,170</u>
Other expenses:		
Depository fees	49	-
Safe custody fees	407	98
Audit fee	8,700	7,632
Non-executive directors' fees	689	1,471
FCA fee	21	36
KIID production fee	-	73
Transaction charges	17	49
	<u>9,883</u>	<u>9,359</u>
Total other creditors	<u>15,716</u>	<u>14,529</u>

### 10. Commitments and contingent liabilities

At the balance sheet date there are no commitments or contingent liabilities.

### 11. Share classes

The following reflects the change in shares in issue in the year:

	Net Income
Opening shares in issue	<u>5,636,404</u>
Closing shares in issue	<u>5,636,404</u>

Further information in respect of the return per share is disclosed in the Comparative table.

## Notes to the financial statements (continued)

for the year ended 30 June 2024

### 12. Related party transactions

Evelyn Partners Fund Solutions Limited, as ACD is a related party due to its ability to act in respect of the operations of the Fund.

The ACD acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received and paid through the creation and cancellation of shares are disclosed in the Statement of change in net assets attributable to shareholders of the Fund.

Amounts payable to the ACD and its associates are disclosed in note 4. The amount due to the ACD and its associates at the balance sheet date is disclosed in note 9.

### 13. Events after the balance sheet date

Subsequent to the year end, the net asset value per income share has increased from 214.4p to 214.5p as at 23 September 2024. This movement takes into account routine transactions but also reflects the market movements of recent months.

### 14. Transaction costs

#### a Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and security exchanges; and transfer taxes and duties.

Commission is a charge which is deducted from the proceeds of the sale of securities and added to the cost of the purchase of securities. This charge is a payment to agents, advisers, brokers and dealers in respect of their services in executing the trades.

Tax is payable on the purchase of securities in the United Kingdom. It may be the case that 'other taxes' will be charged on the purchase of securities in countries other than the United Kingdom.

The total purchases and sales and the related direct transaction costs incurred in these transactions are as follows:

	Purchases before transaction costs	Commission		Taxes		Purchases after transaction costs
2024	£	£	%	£	%	£
Closed-Ended Funds	240,327	360	0.15%	1	0.00%	240,688
Collective Investment Schemes	1,174,481	1,516	0.13%	-	-	1,175,997
Total	1,414,808	1,876	0.28%	1	0.00%	1,416,685

	Purchases before transaction costs	Commission		Taxes		Purchases after transaction costs
2023	£	£	%	£	%	£
Collective Investment Schemes	3,069,505	1,037	0.03%	-	-	3,070,542

	Sales before transaction costs	Commission		Taxes		Sales after transaction costs
2024	£	£	%	£	%	£
Collective Investment Schemes*	1,713,140	-	-	-	-	1,713,140

\* No direct transaction costs were incurred in these transactions.

## Notes to the financial statements (continued)

for the year ended 30 June 2024

### 14. Transaction costs (continued)

#### a Direct transaction costs (continued)

	Sales before transaction costs	Commission		Taxes		Sales after transaction costs
2023	£	£	%	£	%	£
Equities	96,683	(145)	0.15%	-	-	96,538
Collective Investment Schemes	2,655,923	(1,915)	0.07%	-	-	2,654,008
Total	2,752,606	(2,060)	0.22%	-	-	2,750,546

\* No direct transaction costs were incurred in these transactions.

#### Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the Fund's average net asset value in the year:

2024	£	% of average net asset value
Commission	1,876	0.02%
Taxes	1	0.00%
2023	£	% of average net asset value
Commission	3,097	0.03%

#### b Average portfolio dealing spread

The average portfolio dealing spread is calculated as the difference between the bid and offer value of the portfolio as a percentage of the offer value.

The average portfolio dealing spread of the investments at the balance sheet date was 0.11% (2023: 0.04%).

### 15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Prospectus, the following are accepted by the ACD as being the main risks from the Fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the ACD's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the ACD, which sets the risk appetite and ensures continued compliance with the management of all known risks.

#### a Market risk

Market risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices and comprise three elements: other price risk, currency risk, and interest rate risk.

##### (i) Other price risk

The Fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The elements of the portfolio of investments exposed to this risk are equities, collective investment schemes, closed-ended funds and exchange traded commodities.

This risk is generally regarded as consisting of two elements: stock specific risk and market risk. Through these two factors, the Fund is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy.

## Notes to the financial statements (continued)

for the year ended 30 June 2024

### 15. Risk management policies (continued)

#### a Market risk (continued)

##### (i) Other price risk (continued)

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the Fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 30 June 2024, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the closing net assets would increase or decrease by approximately £568,099 (2023: £526,563).

##### (ii) Currency risk

Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. Investments in UK securities investing in overseas securities will give rise to indirect exposure to currency risk. These fluctuations can also affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

The foreign currency risk profile of the Fund's financial instruments and cash holdings at the balance sheet date is as follows:

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2024			
Euro	1,212,570	2,331	1,214,901
US dollar	1,283,451	-	1,283,451
Total foreign currency exposure	<u>2,496,021</u>	<u>2,331</u>	<u>2,498,352</u>

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2023			
Euro	1,166,253	-	1,166,253
US dollar	978,317	-	978,317
Total foreign currency exposure	<u>2,144,570</u>	<u>-</u>	<u>2,144,570</u>

At 30 June 2024, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the closing net assets would increase or decrease by approximately £59,128 (2023: £12,743). Forward currency contracts are used to manage the portfolio exposure to currency movements.

## Notes to the financial statements (continued)

for the year ended 30 June 2024

### 15. Risk management policies (continued)

#### a Market risk (continued)

##### (iii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes.

During the year the Fund's direct exposure to interest rates consisted of cash and bank balances. The Fund also has indirect exposure to interest rate risk as it invests in bond funds. The amount of revenue receivable from bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

In the event of a change in interest rates, there would be no material impact upon the net assets of the Fund.

The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

There is no exposure to interest bearing securities at the balance sheet date.

#### b Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk.

The Depositary has appointed the custodian to provide custody services for the assets of the Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the Fund of default.

Holdings in collective investment schemes are subject to direct credit risk. The exposure to pooled investment vehicles is unrated.

#### c Liquidity risk

A significant risk is the cancellation of shares which investors may wish to sell and that securities may have to be sold in order to fund such cancellations if insufficient cash is held at the bank to meet this obligation. If there were significant requests for the redemption of shares at a time when a large proportion of the portfolio of investments were not easily tradable due to market volumes or market conditions, the ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in shares in the Fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded share capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The Fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the Fund may not be able to immediately sell such securities.

To reduce liquidity risk the ACD will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the Fund's assets consist of readily realisable securities. This is monitored on a monthly basis and reported to the Risk Committee together with historical outflows of the Fund.

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the Fund to meet large redemptions, while still being able to adhere to its objective guidelines and the FCA investment borrowing regulations.

All of the financial liabilities are payable on demand. In the case of forward foreign currency contracts these are payable in less than one year.

## Notes to the financial statements (continued)

for the year ended 30 June 2024

### 15. Risk management policies (continued)

#### d Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

To ensure this, the fair value pricing committee is a body appointed by the ACD to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the Fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

Basis of valuation	Investment assets	Investment liabilities
	2024	2024
	£	£
Quoted prices	3,439,126	-
Observable market data	7,922,850	(6,556)
Unobservable data	-	-
	<u>11,361,976</u>	<u>(6,556)</u>

Basis of valuation	Investment assets	Investment liabilities
	2023	2023
	£	£
Quoted prices	1,825,533	-
Observable market data	8,712,518	(6,150)
Unobservable data	-	-
	<u>10,538,051</u>	<u>(6,150)</u>

No securities in the portfolio of investments are valued using valuation techniques.

#### e Assets subject to special arrangements arising from their illiquid nature

There are no assets held in the portfolio of investments which are subject to special arrangements arising from their illiquid nature.

#### f Derivatives

The Fund may employ derivatives with the aim of reducing the Fund's risk profile, reducing costs or generating additional capital or revenue, in accordance with Efficient Portfolio Management.

The ACD monitors that any exposure is covered globally to ensure adequate cover is available to meet the Fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

In the year there was direct exposure to derivatives. On a daily basis, exposure is calculated in UK sterling using the commitment approach with netting applied where appropriate. The total global exposure figure is divided by the net asset value of the Fund to calculate the percentage global exposure. Global exposure is a risk mitigation technique that monitors the overall commitment to derivatives in the Fund at any given time and may not exceed 100% of the net asset value of the property of the Fund.

For certain derivative transactions cash margins may be required to be paid to the brokers with whom the trades were executed and settled. These balances are subject to daily reconciliations and are held by the broker in segregated cash accounts that are afforded client money protection.



## Notes to the financial statements (continued)

for the year ended 30 June 2024

### 15. Risk management policies (continued)

#### f Derivatives (continued)

##### (i) Counterparties

Transactions in securities give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the Fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the Fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The Fund may transact in derivative contracts which potentially exposes the Fund to counterparty risk from the counterparty not settling their side of the contract. Transactions involving derivatives are entered into only with investment banks and brokers with appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Depositary.

At the balance sheet date, there are no securities in the portfolio of investments subject to a repurchase agreement.

##### (ii) Leverage

The leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach) divided by the net asset value.

There have been no leveraging arrangements in the year.

##### (iii) Global exposure

Global exposure is a measure designed to limit the leverage generated by a fund through the use of financial derivative instruments, including derivatives with embedded assets.

At the balance sheet date the global exposure is as follows:

	Gross exposure value £	% of the total net asset value
Investment		
Forward Currency Contracts		
Value of short position - euro	600,093	4.96%
Value of short position - US dollar	722,254	5.98%

There have been no collateral arrangements in the year.

## Distribution table

for the year ended 30 June 2024

Interim distribution in pence per share

Group 1 - Shares purchased before 1 July 2023

Group 2 - Shares purchased 1 July 2023 to 31 December 2023

	Net revenue	Equalisation	Total distribution 30 April 2024	Total distribution 30 April 2023
Net Income				
Group 1	0.887	-	0.887	0.192
Group 2	0.887	-	0.887	0.192

Final distribution in pence per share

Group 1 - Shares purchased before 1 January 2024

Group 2 - Shares purchased 1 January 2024 to 30 June 2024

	Net revenue	Equalisation	Total distribution 31 October 2024	Total distribution 31 October 2023
Net Income				
Group 1	1.103	-	1.103	0.867
Group 2	1.103	-	1.103	0.867

## Remuneration

### Remuneration code disclosure

The remuneration committee is responsible for setting the remuneration policy for all partners, directors and employees within Evelyn Partners Group Limited ('the Group'), including individuals designated as Material Risk Takers (MRTs) under the Remuneration Code. The remuneration policy is designed to be compliant with the Code and provides a framework to attract, retain, motivate and reward partners, directors and employees. The overall policy is designed to promote the long-term success of the group and to support prudent risk management, with particular attention to conduct risk.

### Remuneration committee

The remuneration committee report contained in the Group Report and Financial Statements for the year ended 31 December 2023 includes details on the remuneration policy. The remuneration committee comprises five non-executive directors<sup>1</sup> and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met eight times during 2023.

### Remuneration policy

The main principles of the remuneration policy are:

- to align remuneration with the strategy and performance of the business;
- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices;
- to foster and support conduct and behaviours which are in line with our culture and values;
- to maintain a sound risk management framework;
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking;
- to comply with all relevant regulatory requirements; and
- to align incentive plans with the business strategy and shareholder interests.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy. As part of a "balanced scorecard" approach to variable remuneration non-financial criteria including, but not limited to, compliance and risk issues, client management, supervision, leadership and teamwork are considered alongside financial performance.

### Remuneration systems

The committee reviews all partners' and directors' fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a Deferred Option Plan, Equity Matching Plan, Matching Share Plan, Executive Long Term Incentive Plan and an Investment Management Long Term Incentive Plan.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of employees typically comprises of a salary with benefits including pension contribution, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners, directors and associate directors are also eligible to participate, at the invitation of the committee, in the equity incentive plans described above.

When setting variable remuneration for the executive directors, the committee considers overall business profit for the group and divisions, achievement of both financial and non-financial objectives (including adherence to the principles of treating customers fairly, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the board in respect of the year ended 31 December 2023. The committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

<sup>1</sup> Please note that the data provided for the independent non-executive directors is as at 31 December 2023. The data provided is for independent non-executive directors only.

## Remuneration (continued)

### Aggregate quantitative information

The total amount of remuneration paid by Evelyn Partners Fund Solutions Limited ('EPFL') is nil as EPFL has no employees. However, a number of employees have remuneration costs recharged to EPFL and the annualised remuneration for these 72 employees is £3.51 million of which £3.23 million is fixed remuneration. This is based on the salary and benefits for those identified as working in EPFL as at 31 December 2023. Any variable remuneration is awarded for the year ended 31 December 2023. This information excludes any senior management or other Material Risk Takers (MRTs) whose remuneration information is detailed below.

Evelyn Partners Group Limited reviews its MRTs at least annually. These individuals are employed by and provide services to other companies in the Group. It is difficult to apportion remuneration for these individuals in respect of their duties to EPFL. For this reason, the aggregate total remuneration awarded for the year 31 December 2023 for senior management and other MRTs detailed below has not been apportioned.

Table to show the aggregate remuneration split by Senior Management and other MRTs for EPFL	For the period 1 January 2023 to 31 December 2023				
	Fixed £'000	Variable Cash £'000	Variable Equity £'000	Total £'000	No. MRTs
Senior Management	3,518	1,662	-	5,180	18
Other MRTs	919	848	-	1,767	5
Total	4,437	2,510	-	6,947	23

### Investment Manager

The ACD has appointed Stanhope Capital LLP to provide investment management and related advisory services to the ACD. The Investment Manager is paid a monthly fee out of the scheme property of The Headway Fund which is calculated on the total value of the portfolio of investments at the month end. The Investment Manager is compliant with the Capital Requirements Directive regarding remuneration and therefore their staff are covered by remuneration regulatory requirements.

## Further information

### Distributions and reporting dates

Where net revenue is available it will be distributed semi-annually on 31 October (final) and 30 April (interim). In the event of a distribution, shareholders will receive a tax voucher.

XD dates:	1 July	final
	1 January	interim
Reporting dates:	30 June	annual
	31 December	interim

### Buying and selling shares

The property of the Fund is valued at 12 noon on Mondays of each week, but excluding the Monday falling in the same week as the last business day of the month, when the Fund will value on that day and with the exception of any bank holiday in England and Wales or the last business day prior to those days annually, where the valuation may be carried out at a time agreed in advance between the ACD and the Depositary; and prices of shares are calculated as at that time. Share dealing is on a forward basis i.e. investors can buy and sell shares at the next valuation point following receipt of the order.

Prices of shares and the estimated yield of the Fund are published on the following website: [www.trustnet.com](http://www.trustnet.com) or may be obtained by calling 0141 222 1151.

### Benchmark

Shareholders may compare the performance of the Company against the ARC Sterling Steady Growth PCI. Comparison of the Company's performance against this benchmark will give shareholders an indication of how the Company is performing against an index based on the real performance numbers delivered to discretionary private clients by participating investment managers.

The benchmark is not a target for the Company, nor is the Company constrained by the benchmark.

## Appointments

### ACD and Registered office

Evelyn Partners Fund Solutions Limited

45 Gresham Street

London EC2V 7BG

Telephone 0207 131 4000

Authorised and regulated by the Financial Conduct Authority

### Administrator and Registrar

Evelyn Partners Fund Solutions Limited

177 Bothwell Street

Glasgow G2 7ER

Telephone 0141 222 1151 (Registration)

0141 222 1150 (Dealing)

Authorised and regulated by the Financial Conduct Authority

### Directors of the ACD

Andrew Baddeley

Brian McLean

Mayank Prakash

Neil Coxhead

### Independent Non-Executive Directors of the ACD

Dean Buckley

Linda Robinson

Victoria Muir

Sally Macdonald

### Non-Executive Directors of the ACD

Paul Wyse - resigned 11 July 2023

Guy Swarbreck - appointed 21 August 2023

### Investment Manager

Stanhope Capital LLP

35 Portman Square

London W1H 6LR

Authorised and regulated by the Financial Conduct Authority

### Depositary

NatWest Trustee and Depositary Services Limited

House A, Floor 0

Gogarburn

175 Glasgow Road

Edinburgh EH12 1HQ

Authorised and regulated by the Financial Conduct Authority

### Auditor

Johnston Carmichael LLP

Bishop's Court

29 Albyn Place

Aberdeen AB10 1YL