



## **TB SARACEN INVESTMENT FUNDS ICVC**

ANNUAL REPORT &  
AUDITED FINANCIAL STATEMENTS

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For the year ended 31 December 2019



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*Note: The Authorised Corporate Director's Report, as referred to in the Report of the Independent Auditor to the Shareholders of TB Saracen Investment Funds ICVC, consists of 'Authorised Status' and 'Structure of the Company' on page 2, 'Authorised Status' and 'Investment Objective and Policy' on pages 10, 37 and 68, 'Investment Review' as provided by the Investment Manager, on pages 12 to 15, 39 to 43 and 69 to 72 and 'Directory' on page 94.*



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## THE AUTHORISED CORPORATE DIRECTOR AND INVESTMENT MANAGER

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The Authorised Corporate Director (the 'ACD') of TB Saracen Investment Funds ICVC (the 'Company') is T. Bailey Fund Services Limited ('TBFS'). Saracen Fund Managers Limited is the Investment Manager (the 'Investment Manager') of the Company.

T. Bailey Fund Services Limited and Saracen Fund Managers Limited are authorised and regulated by the Financial Conduct Authority.

Further information about Saracen Fund Managers Limited can be found at [www.saracenfundmanagers.com](http://www.saracenfundmanagers.com)

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## YOUR INVESTMENTS

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You can buy or sell shares in the sub-funds of the Company through your Financial Adviser. Alternatively, you can telephone the dealing line: 0115 988 8274, during normal office hours. Application forms can be requested in writing from the ACD or by calling the Client Services Team on the dealing line. They can also be downloaded from the website: [www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds).

Prices for the sub-funds are published each normal business day on [www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds) and also via the website; [www.fundlistings.com](http://www.fundlistings.com).

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## OTHER INFORMATION

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Full details of TB Saracen Investment Funds ICVC are set out in the Prospectus. This document provides investors with extensive information about the Company and its sub-funds including risks and expenses. A copy of the Prospectus is available on request from the ACD, or can be found at [www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds).

The Key Investor Information documents and Supplementary Information document are also available at [www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-saracen-investment-funds).

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## **AUTHORISED STATUS**

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The Company is an open-ended investment company with variable capital, incorporated in Scotland with registered number of SI000005. The effective date of the authorisation order made by the Financial Services Authority (which has since been succeeded by the FCA) in respect of the Company was 19 January 1999. The Company's duration is unlimited. The Company is a UCITS Scheme in terms of COLL and is also structured as an umbrella company so that the Scheme Property of the Company may be divided among two or more funds.

Shareholders of the Company are not liable for the debts of the Company.

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## **STRUCTURE OF THE COMPANY**

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The Company is structured as an umbrella company and different sub-funds may be established by the ACD with the agreement of the Depositary and the approval of the FCA. On the introduction of any new sub-fund, or share class, a revised prospectus will be prepared and issued.

The Company is compliant with the Protected Cell Regime for OEICs. Under the Protected Cell Regime, each sub-fund represents a segregated portfolio of assets and accordingly, the assets of the sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including any other sub-fund and shall not be available for any such purpose.

There are currently three sub-funds in existence; TB Saracen UK Alpha Fund, TB Saracen Global Income and Growth Fund and TB Saracen UK Income Fund.

The base currency of the Company is Pounds Sterling.

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## **CROSS HOLDINGS BETWEEN SUB-FUNDS**

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As at the period end there were no cross holdings between the three sub-funds.

**INTRODUCTION AND SCOPE**

TBFS has policies and practices for those staff whose professional activities have a material impact on the risk profile of the combined activities. TBFS is a UCITS firm and is therefore subject to the UCITS Remuneration Code.

The Remuneration Policy:

- (i) Is consistent with and promotes sound and effective risk management;
- (ii) Does not encourage risk taking that exceeds the level of tolerated risk of the firm;
- (iii) Encourages behaviour that delivers results which are aligned to the interests of TBFS's clients and the UCITS funds it manages;
- (iv) Aligns the interests of Code Staff with the long-term interests of TBFS's clients and the UCITS funds it manages;
- (v) Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay; and
- (vi) Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works.

In accordance with BIPRU 11.5.18R the following disclosures are made:

**1. Decision making process for determining remuneration policy, link between pay and performance**

There is no remuneration committee. Remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus and commission arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the CEO of TBFS and the Board of TBH.

The main shareholders are represented on the Board of TBH which ratifies the annual operating plans. The annual operating plan includes the level of remuneration for all staff including Code Staff.

To assist with the above process, a benchmarking exercise was conducted in 2018 which incorporated information from external consultants in connection with remuneration.

**2. Policy on link between pay and performance**

The staff bonus scheme is operated so as to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition but within the context of an annual operating plan. The Board bears in mind the projected performance of the company when making any adjustments to the scheme. This is agreed within the setting of the annual operating plan and reviewed once full year results are available.

The final bonus total is signed off by the TBFS board. The bonus payments are non-contractual and can be amended or withdrawn at any time.

Payment of scheme bonus to individuals is linked to their performance against agreed objectives from staff appraisals. All bonuses are monetary and paid through the payroll.

Staff are eligible to be a part of the scheme once they have completed a full years' service prior to the start of the relevant appraisal year. The same process applies to all grades of staff including executive directors.

There are no commission based payments made to staff.

No other pay reward schemes exist within the business.

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**REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR (CONTINUED)**

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**Total remuneration paid by the ACD for the year ended 30 September 2019**

<b>Total Number of Staff</b>	<b>40</b>
	<b>£'000</b>
Fixed	1,414
Variable	43
<b>Total Remuneration Paid</b>	<b>1,457</b>

**Total remuneration paid by the ACD to Remuneration Code Staff for the year ended 30 September 2019**

	<b>Senior Management</b>	<b>Staff with Material Impact</b>
<b>Total Number of Staff</b>	<b>9</b>	<b>0</b>
	<b>£'000</b>	<b>£'000</b>
Fixed	703	-
Variable	34	-
<b>Total Remuneration Paid</b>	<b>737</b>	<b>-</b>

Please note that there were no remuneration payments made directly from TB Saracen Investment Funds ICVC or any of its sub-funds.

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## STATEMENT OF THE AUTHORISED CORPORATE DIRECTORS' RESPONSIBILITIES

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The Authorised Corporate Director (the "ACD") of TB Saracen Investment Funds ICVC (the "Company") is responsible for preparing the Annual Report and the Financial Statements in accordance with the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"), the Financial Conduct Authority's Collective Investment Schemes' Sourcebook ("COLL") and the Company's Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association ("IA SORP") in May 2014; and
- give a true and fair view of the financial position of the Company as at the end of that period and the net revenue and the net capital gains or losses on the property of the Company and each of its sub-funds for that period.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACD is also responsible for the system of internal controls, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## DIRECTORS' STATEMENT

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In accordance with COLL 4.5.8BR, the Report and the Financial Statements were approved by the board of Directors of the ACD of the Company and authorised for issue on 30 April 2020. The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and its sub-funds consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence for at least the next twelve months from the approval of these financial statements.

**Gavin Padbury, Director of Operations**  
**T. Bailey Fund Services Limited**  
**Nottingham, United Kingdom**  
**30 April 2020**

**Rachel Elliott, Finance Director**  
**T. Bailey Fund Services Limited**  
**Nottingham, United Kingdom**  
**30 April 2020**

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## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL"), 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 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, 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 Corporate Director ("the 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.

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## DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF TB SARACEN INVESTMENT FUNDS ICVC

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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 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.

**NatWest Trustee & Depositary Services**  
London, United Kingdom  
30 April 2020

**Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of TB Saracen Investment Funds ICVC:

- give a true and fair view of the financial position of the sub-funds as at 31 December 2019 and of the net revenues and the net capital gains on the property of the sub-funds for the year ended 31 December 2019; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

We have audited the financial statements which comprise for each sub-fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the related individual notes 1 to 17; and
- the distribution tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the authorised corporate director's (ACD's) use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB SARACEN INVESTMENT FUNDS ICVC  
(CONTINUED)**

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**Other information**

The ACD is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of depositary and ACD**

As explained more fully in the depositary's responsibilities statement and the ACD's responsibilities statement, the Depositary is responsible for the safeguarding the property of the company and the ACD 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 ACD 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 ACD 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 ACD either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB SARACEN INVESTMENT FUNDS ICVC  
(CONTINUED)**

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**Report on other legal and regulatory requirements****Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion:

- proper accounting records for the Company and the sub-funds have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information given in the ACD's report for the year ended 31 December 2019 is consistent with the financial statements.

**Use of our report**

This report is made solely to the company's shareholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. 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.

**Deloitte LLP**  
**Statutory Auditor**  
**Birmingham, United Kingdom**  
**30 April 2020**

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## **TB SARACEN UK ALPHA FUND, AUTHORISED STATUS**

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The Fund is a sub-fund of TB Saracen Investment Funds ICVC with investment powers equivalent to those of a UCITS Scheme as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

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## **INVESTMENT OBJECTIVE AND POLICY**

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The investment objective of TB Saracen UK Alpha Fund aims to achieve a total return on the invested assets at a higher rate than the total return on the MSCI UK All Cap Index. To meet this objective, the Investment Manager will carefully select and invest in a diversified portfolio of primarily United Kingdom equity securities (those companies which are either incorporated in the UK, domiciled in the UK or have a significant percentage of their business in the UK) which provide the potential for long-term growth. The Fund may also invest in overseas securities. The Fund may also invest in cash and near cash, deposits and collective investment schemes. In most cases this is likely to occur only where the Investment Manager considers that equity share prices have become overvalued.

The Investment Manager will employ a value based approach, using both quantitative and qualitative techniques to achieve the above objective. In addition to the objective of maximising returns, the Investment Manager will also seek to protect the capital of investors. Whilst risk will be carefully controlled through diversification and rigorous analysis investor's capital will be at risk and there is no guarantee that the investment objective will be achieved.

The Fund is benchmarked against the MSCI UK All Cap Index.

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## **RISK PROFILE**

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As the Fund will invest primarily in UK listed shares, the Fund will have greater exposure to UK market, political and economic risks than a fund which diversifies across a number of countries.

The Fund may invest in small-cap companies. Smaller companies' securities are often traded less frequently than those of larger companies, this means they may be more difficult to buy and sell.

The value of the investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

The movement of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

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## **TB SARACEN UK ALPHA FUND, SYNTHETIC RISK AND REWARD INDICATOR**

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The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 5 because it invests in shares, an asset class which has seen large rises and falls in recent years.

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## **ONGOING CHARGES FIGURE**

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The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the annual management charge, but also includes the costs for other services paid in respect of depositary, custody, FCA, and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 20 and 21.

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## TB SARACEN UK ALPHA FUND, INVESTMENT REVIEW

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### Performance

	Cumulative returns for the periods ended 31 December 2019 (%)		
	1 year	3 years	5 years
A Accumulation Shares	30.49	40.51	62.28
B Accumulation Shares	31.47	43.26	67.12
MSCI UK All Cap Index*	18.34	20.73	41.79
IA UK All Companies Sector**	22.24	23.75	43.82

\* Target Benchmark. \*\* Comparator Benchmark.

Source: Financial Express. Total return, bid to bid. Sterling terms.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

### Overview

The Fund enjoyed a very strong end to 2019 with the shares rising by 15.4% during the final quarter, well ahead of the 3.7% rise in the MSCI UK All Cap index. Overall 2019 ended up being a pleasing year, with the Fund rising by 31.5% in value. Our focus on small and midcap companies along with an ongoing valuation discipline allowed us to profit from volatility throughout the year, despite a tricky summer period for the portfolio.

During 2019 the MSCI UK All Cap Index rose by 18.3%. Overall returns were highest in mid and smallcap companies with the FTSE Mid250 gaining 28.9%, whilst the FTSE Small Cap returned 18.8%. The FTSE100 lagged a little, albeit returning a still creditable 17.2%.

The Fund return was well ahead of both the index and peer group funds during the year with the IA UK All Companies sector average returning 22.2%. As at 31<sup>st</sup> December 2019 the Fund was placed in the top quartile of its peer group over one year, three years, five years and since launch. (source: FE Trustnet)

With a clear Conservative majority in the December election and a smoother path to Brexit emerging, we finally saw some much needed clarity for UK investors, and the UK market responded positively towards the end of the year. It was particularly pleasing to see significant recovery in medium and smaller companies, especially in December. There remains an ongoing tussle between growth and value styles but, in general, there was a welcome focus on valuations at last. All of these trends were positives for the Fund.

### **Performance Review**

The Fund has 31 investments and is invested mainly in UK small and midcap companies. As at 31st December 2019 the breakdown of the portfolio by size was 21% largecap, 19% midcap and 53% smallcap/other. The Fund held a cash balance of 7%.

The portfolio continues to be biased towards industrial, consumer and financials sectors having increased its weighting to financials throughout the past year or so. We have no exposure to defensive sectors such as utilities, telecoms and staples where we see limited growth or valuation attractions.

It was a busier year than usual for the Fund in terms of portfolio activity with a number of new investments made and various holdings sold. This continues a change in emphasis away from the 'growth' part of the portfolio which had served us well over many years towards more value-based positions, reflecting the high valuations that have been ascribed to growth stocks in general.

Two of our sales came for a positive reason with both RPC and IFG Group receiving takeover bids earlier in 2019, giving the Fund an opportunity to release capital for new ideas. We were also able to sell the retailer Dunelm after a significant recovery from depressed levels seen at the end of 2018. Other sales included food producer Greencore where we had enjoyed a strong recovery and M&G, where we received a small holding as part of its demerger from Prudential. We also took decisive action to sell holdings where the quality of earnings had disappointed and prospects were unlikely to improve such as Dialight, Victoria, Clipper Logistics and TalkTalk.

In terms of our purchases many of them were stocks which have been heavily out of favour. Barclays has spent ten years resolving a number of operational and conduct issues. Despite this the shares remain friendless, trading on a large discount to assets. Having bought GKN, Melrose shares had suffered since. We think the management have a clear plan to improve GKN which was not reflected in the low share price. Equiniti has strong repeat revenues from its various admin platforms and the purchase of Wells Fargo when integrated should see the shares recover from a very low valuation. Defence contractor Chemring suffered some serious operational issues in 2018 but has a strong and visible core business which could recover significantly. Imperial Brands and Halfords were added towards the end of 2019 with both businesses heavily out of favour and likely to cut their dividends in future. We see considerable valuation upside in each. Our final purchase of 2019 was healthcare provider Clinigen which is building a meaningful specialist health business on a global scale which has yet to be fully appreciated in our view.

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**TB SARACEN UK ALPHA FUND, INVESTMENT REVIEW (CONTINUED)**

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The asset allocations at the year-end are shown in the table below:

<b>Sector</b>	<b>Asset allocation as at 31 December 2019 (%)</b>	<b>Asset allocation as at 31 December 2018 (%)</b>
Aerospace & Defence	4.6	2.6
Automobiles & Components	2.4	3.0
Banks	4.1	-
Chemicals	4.1	3.5
Construction Materials	4.3	5.9
Electronic & Electrical Equipment	3.0	-
Financial Services	7.0	6.6
Food & Beverages	-	2.6
General Financial	5.5	7.6
General Retailers	5.4	4.7
Healthcare	2.7	-
House, Leisure & Personal Goods	9.1	9.0
Industrial Engineering	2.1	4.5
Life Insurance	3.3	4.5
Media	2.8	3.7
Mining	3.5	4.8
Oil & Gas Producers	2.4	4.0
Packaging	-	3.9
Real Estate	6.4	6.5
Support Services	17.6	18.1
Telecoms	-	1.9
Tobacco	2.8	-
Cash and Other	6.9	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The full list of holdings at the year-end is shown in the Portfolio Statement on pages 16 to 19.

### **Outlook**

After a tricky summer period The Fund enjoyed an excellent end to 2019 and therefore posted strongly positive returns for the year as a whole. We believe that valuation does matter and our core process and philosophy of focussing on value will not change. By sticking to our guns, we were able to deliver improved returns towards the end of 2019.

However, the outbreak of COVID19 has had a materially negative impact on the Fund's portfolio during the first three months of 2020 and we have seen significant falls in value during this period. In particular our high exposure to mid and smallcap companies has been detrimental during the selloff in markets.

In addition, we have seen significant numbers of companies cancelling or deferring dividends during March and April, which are traditionally major months for dividend receipts. Whilst the Fund does not have a dividend income objective some of our portfolio companies have been affected by their reduced abilities to pay dividends at the moment. We hope that this will be a temporary phenomenon.

It is difficult to provide clarity at this stage, but we hope to see some degree of normality return during the second half of 2020. It is not possible to quantify the length and depth of the economic turmoil yet, but the effects are likely to be material and long-lasting. The UK equity market remains hugely out of favour with investors the world over and the major falls in dividend income across the market have not helped this perception.

To conclude, 2019 was a rewarding year for TB Saracen UK Alpha Fund but 2020 is likely to be very challenging in terms of capital returns. Our current priority is to ensure that we are fit and ready for recovery in markets as and when the current crisis diminishes. We believe that our flexible 'multi-cap' approach to stock selection gives us a strong possibility of achieving positive real returns over the long term from here.

**Scott McKenzie**  
**Investment Director**  
**Saracen Fund Managers Limited**  
**Edinburgh, United Kingdom**  
**30 April 2020**

**TB SARACEN UK ALPHA FUND, PORTFOLIO STATEMENT**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Aerospace &amp; Defence</b> (4.6%; 31.12.18 - 2.6%)		
14,000 Avon Rubber	291,200	1.9
169,000 Chemring Group	406,445	2.7
	<b>697,645</b>	<b>4.6</b>
<b>Automobiles &amp; Components</b> (2.4%; 31.12.18 - 3.0%)		
140,000 TI Fluid Systems	371,000	2.4
	<b>371,000</b>	<b>2.4</b>
<b>Banks</b> (4.1%; 31.12.18 - 0.0%)		
343,000 Barclays	616,028	4.1
	<b>616,028</b>	<b>4.1</b>
<b>Chemicals</b> (4.1%; 31.12.18 - 3.5%)		
177,000 Synthomer	626,226	4.1
	<b>626,226</b>	<b>4.1</b>
<b>Construction Materials</b> (4.3%; 31.12.18 - 5.9%)		
140,000 Eurocell	336,000	2.2
119,700 Tyman	320,796	2.1
	<b>656,796</b>	<b>4.3</b>
<b>Electronic &amp; Electrical Equipment</b> (3.0%; 31.12.18 - 0.0%)		
190,000 Melrose	456,190	3.0
	<b>456,190</b>	<b>3.0</b>

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**TB SARACEN UK ALPHA FUND, PORTFOLIO STATEMENT (CONTINUED)**

 As at 31 December 2019
 

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Financial Services</b>		
<b>(7.0%; 31.12.18 - 6.6%)</b>		
25,000 Intermediate Capital	402,500	2.7
198,000 Standard Life Aberdeen	649,638	4.3
	<b>1,052,138</b>	<b>7.0</b>
<b>General Financial</b>		
<b>(5.5%; 31.12.18 - 7.6%)</b>		
249,149 Premier Asset Management	460,926	3.0
48,000 Mattioli Woods	384,000	2.5
	<b>844,926</b>	<b>5.5</b>
<b>General Retailers</b>		
<b>(5.4%; 31.12.18 - 4.7%)</b>		
220,000 Halfords	372,460	2.4
90,000 Superdry	453,150	3.0
	<b>825,610</b>	<b>5.4</b>
<b>Healthcare</b>		
<b>(2.7%; 31.12.18 - 0.0%)</b>		
44,000 Clinigen	406,780	2.7
	<b>406,780</b>	<b>2.7</b>
<b>House, Leisure &amp; Personal Goods</b>		
<b>(9.1%; 31.12.18 - 9.0%)</b>		
70,000 MJ Gleeson	659,400	4.3
85,000 Galliford Try	730,575	4.8
	<b>1,389,975</b>	<b>9.1</b>

**TB SARACEN UK ALPHA FUND, PORTFOLIO STATEMENT (CONTINUED)**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Industrial Engineering</b> (2.1%; 31.12.18 - 4.5%)		
30,000 Vitec	321,000	2.1
	<b>321,000</b>	<b>2.1</b>
<b>Life Insurance</b> (3.3%; 31.12.18 - 4.5%)		
34,500 Prudential	498,870	3.3
	<b>498,870</b>	<b>3.3</b>
<b>Media</b> (2.8%; 31.12.18 - 3.7%)		
102,000 STV	416,160	2.8
	<b>416,160</b>	<b>2.8</b>
<b>Mining</b> (3.5%; 31.12.18 - 4.8%)		
11,700 Rio Tinto	526,792	3.5
	<b>526,792</b>	<b>3.5</b>
<b>Oil &amp; Gas Producers</b> (2.4%; 31.12.18 - 4.0%)		
90,000 Wood Group (J)	358,650	2.4
	<b>358,650</b>	<b>2.4</b>
<b>Real Estate</b> (6.4%; 31.12.18 - 6.5%)		
170,000 Palace Capital	538,900	3.6
240,000 U+I Group	424,320	2.8
	<b>963,220</b>	<b>6.4</b>

**TB SARACEN UK ALPHA FUND, PORTFOLIO STATEMENT (CONTINUED)**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Support Services</b> (17.6%; 31.12.18 - 18.1%)		
240,000 Alpha Financial Markets Consulting	600,000	4.0
70,000 Restore	379,400	2.5
225,000 Equiniti	463,950	3.1
75,000 Discoverie	420,000	2.8
481,500 Kin And Carta	479,574	3.2
60,000 Marlowe	300,000	2.0
	<b>2,642,924</b>	<b>17.6</b>
<b>Tobacco</b> (2.8%; 31.12.18 - 0.0%)		
22,500 Imperial Brands	420,525	2.8
	<b>420,525</b>	<b>2.8</b>
<b>Portfolio of investments</b>	<b>14,091,455</b>	<b>93.1</b>
<b>Net other assets</b>	<b>1,040,622</b>	<b>6.9</b>
<b>Total net assets</b>	<b>15,132,077</b>	<b>100.0</b>

All holdings are in equities listed on recognised stock exchanges.

'Food & Beverages' sector disinvested since the beginning of the period (31 December 2018: 2.6%).

'Packaging' sector disinvested since the beginning of the period (31 December 2018: 3.9%).

'Telecoms' sector disinvested since the beginning of the period (31 December 2018: 1.9%).

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**TB SARACEN UK ALPHA FUND, SUMMARY OF FUND PERFORMANCE**


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<b>A Accumulation Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>
<b>Change in net assets per share</b>			
Opening net asset value per share	417.24	466.60	388.78
Return before operating charges*	136.96	(39.74)	85.27
Operating charges	(9.24)	(9.62)	(7.45)
Return after operating charges*	127.72	(49.36)	77.82
Distributions	(8.41)	(5.23)	(6.18)
Retained distributions on accumulation shares	8.41	5.23	6.18
Closing net asset value per share	544.96	417.24	466.60
* after direct transaction costs of:	1.56	1.38	1.01
<b>Performance</b>			
Return after charges	30.61%	(10.58)%	20.02%
<b>Other information</b>			
Closing net asset value	£2,508,564	£2,220,008	£2,643,249
Closing number of shares	460,317	532,075	566,496
Operating charges (p.a)	1.96%	1.90%	1.75%
Direct transaction costs (p.a)	0.33%	0.29%	0.24%
<b>Prices</b>			
Highest published share price	548.22	512.95	468.24
Lowest published share price	418.03	413.98	390.13

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**TB SARACEN UK ALPHA FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)**


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<b>B Accumulation Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>
<b>Change in net assets per share</b>			
Opening net asset value per share	678.06	753.11	624.37
Return before operating charges*	223.58	(64.54)	137.38
Operating charges	(9.35)	(10.51)	(8.64)
Return after operating charges*	214.23	(75.05)	128.74
Distributions	(19.50)	(12.96)	(13.44)
Retained distributions on accumulation shares	19.50	12.96	13.44
Closing net asset value per share	892.29	678.06	753.11
* after direct transaction costs of:	2.55	2.22	1.64
<b>Performance</b>			
Return after charges	31.59%	(9.97)%	20.62%
<b>Other information</b>			
Closing net asset value	£12,623,515	£7,436,353	£25,178,950
Closing number of shares	1,414,735	1,096,715	3,343,333
Operating charges (p.a.)	1.21%	1.15%	1.25%
Direct transaction costs (p.a.)	0.33%	0.29%	0.24%
<b>Prices</b>			
Highest published share price	897.61	830.97	755.71
Lowest published share price	679.37	672.58	626.54

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

**TB SARACEN UK ALPHA FUND, STATEMENT OF TOTAL RETURN**

For the year ended 31 December 2019

	Notes	£	31.12.19 £	31.12.18 £
Income				
Net capital gains/(losses)	2		3,136,741	(2,050,783)
Revenue	3	434,280		330,161
Expenses	4	(156,902)		(181,676)
Interest payable and similar charges	6	(16)		(78)
Net revenue before taxation		277,362		148,407
Taxation	5	(1,653)		(1,973)
Net revenue after taxation			275,709	146,434
<b>Total return/(loss) before distributions</b>			<b>3,412,450</b>	<b>(1,904,349)</b>
Distributions	6		(275,626)	(146,477)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>3,136,824</b>	<b>(2,050,826)</b>

Note: All of the Company's and sub-fund's results are derived from continuing operations.

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

For the year ended 31 December 2019

	Notes	£	31.12.19 £	31.12.18 £
<b>Opening net assets attributable to shareholders</b>			<b>9,656,361</b>	<b>27,822,199</b>
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		3,896,418		4,827,152
Amounts payable on cancellation of shares		(1,872,087)		(21,184,067)
			2,024,331	(16,356,915)
Dilution levy			-	71,911
Change in net assets attributable to shareholders from investment activities			3,136,824	(2,050,826)
Retained distributions on accumulation shares	6		314,561	169,992
<b>Closing net assets attributable to shareholders</b>			<b>15,132,077</b>	<b>9,656,361</b>

**TB SARACEN UK ALPHA FUND, BALANCE SHEET**  
As at 31 December 2019

	Notes	31.12.19 £	31.12.18 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments		14,091,455	9,407,712
<b>Current Assets:</b>			
Debtors	7	63,039	40,968
Cash and bank balances	8	1,035,782	227,666
<b>Total assets</b>		<b>15,190,276</b>	<b>9,676,346</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Other creditors	9	58,199	19,985
<b>Total liabilities</b>		<b>58,199</b>	<b>19,985</b>
<b>Net assets attributable to shareholders</b>		<b>15,132,077</b>	<b>9,656,361</b>

**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 Financial Reporting Standards 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and its sub-funds consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence for at least the next 12 months from the approval of these financial statements.

**(b) Functional Currency**

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Company operates.

**(c) Recognition of revenue**

Dividends on holdings, net of any irrecoverable tax, are recognised when the underlying security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

**(d) Treatment of stock dividends**

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

**(e) Treatment of expenses**

All expenses, except those relating to the purchase and sale of investments are allocated to the revenue account on an accruals basis.

**(f) Allocation of revenue and expense to multiple share classes**

Any assets or liabilities not attributable to a particular share class will be allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

**(g) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%. This is the rate that has been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

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**TB SARACEN UK ALPHA FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2019

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**1. Accounting policies (continued)****(h) Distribution policy**

Net revenue produced by the Fund's investments is accrued annually. At the end of the accounting period, the revenue, less the expenses allocated to the revenue account, is accumulated as per the prospectus.

**(i) Exchange rates**

Assets and liabilities in overseas currencies at the period end are translated into Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the year are recorded at the rate of exchange on the date of the transaction.

**(j) Financial instruments**

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at closing prices on the balance sheet date, with any gains or losses arising on measurement recognised in the statement of total return. If closing prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the ACD, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

**2. Net capital gains/(losses)**

	31.12.19	31.12.18
	£	£
Non-derivative securities	3,138,076	(2,035,350)
Currency (losses)/gains	(85)	(12,820)
Transaction charges	(1,250)	(2,613)
<b>Net capital gains/(losses)</b>	<b>3,136,741</b>	<b>(2,050,783)</b>

**TB SARACEN UK ALPHA FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
As at 31 December 2019

**3. Revenue**

	31.12.19	31.12.18
	£	£
UK franked dividends	393,829	321,280
UK unfranked dividends	29,450	-
Overseas dividends	11,024	8,842
Unfranked income currency(losses)/gains	(23)	39
<b>Total revenue</b>	<b>434,280</b>	<b>330,161</b>

**4. Expenses**

	31.12.19	31.12.18
	£	£
<b>Payable to the ACD, associates of the ACD and agents of either:</b>		
Annual management charge	104,359	119,804
Registration fees	7,808	6,639
Administration fees	17,700	21,010
	<u>129,867</u>	<u>147,453</u>

**Payable to the Depositary, associates of the Depositary and agents of either:**

Depositary's fees	6,014	6,652
Safe custody fees	314	208
	<u>6,328</u>	<u>6,860</u>

**Other expenses:**

Audit fee	6,822	6,600
Tax fee	2,352	2,280
FCA fee	158	160
Research fees	8,160	18,323
Other expenses	3,215	-
	<u>20,707</u>	<u>27,363</u>

<b>Total expenses</b>	<b>156,902</b>	<b>181,676</b>
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	31.12.19	31.12.18
	£	£

**Fees payable to the company auditor for the audit of the company's annual financial statements:**

Total audit fee	<u>6,822</u>	<u>6,600</u>
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Total non audit fees - Tax compliance services	<u>2,352</u>	<u>2,280</u>
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**TB SARACEN UK ALPHA FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
As at 31 December 2019

**5. Taxation**

**(a) Analysis of the charge in the year**

	31.12.19	31.12.18
	£	£
<b>Analysis of charge in the year</b>		
Overseas tax	1,653	1,973
<b>Total current tax for the year (see note 5(b))</b>	<b>1,653</b>	<b>1,973</b>
Deferred tax (see note 5(c))	-	-
<b>Total taxation for the year</b>	<b>1,653</b>	<b>1,973</b>

**(b) Factors affecting the current taxation charge for the year**

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	31.12.19	31.12.18
	£	£
Net revenue before taxation	277,362	148,407
Corporation tax at 20%	55,472	29,681
<b>Effects of:</b>		
Revenue not subject to taxation	(80,971)	(66,024)
Excess expenses for which no relief taken	25,499	36,343
Overseas taxation	1,653	1,973
<b>Current tax charge for the year (see note 5(a))</b>	<b>1,653</b>	<b>1,973</b>

**(c) Provision for deferred tax**

As at 31 December 2019 the Fund had surplus management expenses of £9,082,379 (31 December 2018: £8,954,889). The deferred tax in respect of this would be £1,816,476 (31 December 2018: £1,790,978). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end (see note (5a)).

**6. Distributions**

**Distributions and interest**

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

	31.12.19	31.12.18
	£	£
Final - Accumulation	314,561	169,992
	<u>314,561</u>	<u>169,992</u>
Add: Revenue deducted on cancellation of shares	19,424	14,628
Deduct: Revenue received on issue of shares	(58,359)	(38,143)
<b>Net distribution for the year</b>	<b><u>275,626</u></b>	<b><u>146,477</u></b>
Interest	16	78
<b>Total finance costs</b>	<b><u>275,642</u></b>	<b><u>146,555</u></b>
<b>Reconciliation to net distribution for the year</b>		
Net revenue after taxation	275,709	146,434
Income currency (losses)/gains	(83)	43
<b>Net distribution for the year</b>	<b><u>275,626</u></b>	<b><u>146,477</u></b>

Details of the distribution per share are set out on page 36.

**TB SARACEN UK ALPHA FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
As at 31 December 2019

**7. Debtors**

	31.12.19	31.12.18
	£	£
Amounts receivable for issue of shares	35,787	5,004
Accrued revenue	26,760	20,903
Prepayments	50	13,040
Income tax recoverable	442	2,021
<b>Total debtors</b>	<b>63,039</b>	<b>40,968</b>

**8. Cash and bank balances**

	31.12.19	31.12.18
	£	£
Cash and bank balances	1,035,782	227,666
<b>Total cash and bank balances</b>	<b>1,035,782</b>	<b>227,666</b>

**9. Other creditors**

	31.12.19	31.12.18
	£	£
Amounts payable for cancellation of shares	34,808	469
Accrued annual management charge	11,091	7,711
Accrued registration fees	724	810
Accrued administration fees	1,731	1,538
Accrued depositary fees	540	510
Accrued custody fees	131	67
Accrued audit fees	6,822	6,600
Accrued tax fees	2,352	2,280
<b>Total creditors</b>	<b>58,199</b>	<b>19,985</b>

**10. Related party transactions**

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions of shares. The monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the year-end, are fully disclosed in the notes to the Financial Statements.

**11. Share classes**

As at the year-end, the Fund had two share classes. The following table shows a breakdown of the change in shares in issue of each share class in the year:

	<b>B Accumulation</b>
Opening shares at the start of the year	1,096,715.336
Total creation of shares in the year	519,255.620
Total cancellation of shares in the year	(201,235.817)
<b>Closing shares at the end of the year</b>	<b>1,414,735.139</b>
	<b>A Accumulation</b>
Opening shares at the start of the year	532,074.973
Total creation of shares in the year	1,459.204
Total cancellation of shares in the year	(73,216.931)
<b>Closing shares at the end of the year</b>	<b>460,317.246</b>

The annual management charge of each share class is as follows:

A Accumulation Shares	1.50% p.a.
B Accumulation Shares	0.75% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Summary of Fund Performance tables on pages 20 and 21. The distribution per share class is given in the distribution table on page 36. All share classes have the same rights on winding up.

**TB SARACEN UK ALPHA FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2019

**12. Risk management policies**

In pursuing the investment objectives, financial instruments are held, which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the period, are set out below:

**(a) Currency exposures**

The Fund's financial assets are mainly invested in securities whose prices are generally quoted in Sterling. The Fund may also invest in other securities whose prices are quoted in other currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 31 December 2019			Net foreign currency assets at 31 December 2018		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	-	-	-	-	2	2

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £nil (31 December 2018: £nil). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £nil (31 December 2018: £nil). These calculations assume all other variables remain constant.

**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long-term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances. The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not interest bearing	Floating rate financial liabilities	Financial liabilities not interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>31.12.19</b>						
Euro	-	-	-	-	-	-
Sterling	1,036	-	14,154	-	(58)	15,132
<b>31.12.18</b>						
Euro	-	-	2	-	-	2
Sterling	228	-	9,446	-	(20)	9,654

**12. Risk management policies (continued)**

**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities (continued)**

Short-term debtors and creditors are included as financial assets and liabilities not bearing interest in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not bearing interest mainly comprise investments that do not have a maturity date.

**(c) Liquidity risk**

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its net asset value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

**(d) Credit risk**

Credit risk 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 and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

**(e) Market price risk and fair value of financial assets and liabilities**

The Fund's underlying investments are equities quoted on recognised stock exchanges. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share held within an underlying holding or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of equities in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £1,409,146 (31 December 2018: £940,771). This calculation assumes all other variables remain constant.

**12. Risk management policies (continued)**

**(f) Fair value of financial assets and liabilities**

Valuation technique	INVESTMENT ASSETS	
	31 December 2019	31 December 2018
	£	£
Level 1: Quoted Prices	14,091,455	9,407,712
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	<u>14,091,455</u>	<u>9,407,712</u>

As at the year-end there were no investment liabilities (31 December 2018: £nil). There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

**(g) Commitments on derivatives**

No derivatives were held at the balance sheet date (31 December 2018: £nil).

**TB SARACEN UK ALPHA FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2019

**13. 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 securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to the direct transaction cost below, indirect cost are incurred through the bid offer spread. It is not possible for the ACD to quantify these indirect cost. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the year are shown in the table below.

	31.12.19		31.12.18	
	£		£	
<b>Analysis of total purchase costs</b>				
<b>PURCHASES</b>				
Equities	6,000,301		5,750,182	
REIT's	56,000		-	
Net purchases before direct transaction costs	6,056,301		5,750,182	
		<b>% of total</b>		<b>% of total</b>
		<b>purchases</b>		<b>purchases</b>
<b>DIRECT TRANSACTION COSTS</b>				
Equities	31,763	0.52%	24,791	0.43%
REIT's	309	0.01%	-	0.00%
Total direct transaction costs	32,072	0.53%	24,791	0.43%
<b>Gross purchases total</b>	<b>6,088,373</b>		<b>5,774,973</b>	
<b>Analysis of total sale costs</b>				
<b>SALES</b>				
Equities	4,528,275		21,530,996	
Gross sales before direct transaction costs	4,528,275		21,530,996	
		<b>% of total</b>		<b>% of total</b>
		<b>sales</b>		<b>sales</b>
<b>DIRECT TRANSACTION COSTS</b>				
Equities	(6,363)	0.14%	(10,553)	0.05%
Total direct transaction costs	(6,363)	0.14%	(10,553)	0.05%
<b>Net sales total</b>	<b>4,521,912</b>		<b>21,520,443</b>	
	31.12.19	<b>% of</b>	31.12.18	<b>% of</b>
	£	<b>average NAV</b>	£	<b>average NAV</b>
<b>Analysis of total direct transaction costs</b>				
Equities	38,126	0.33%	35,344	0.29%
REITs	309	0.00%	-	-
Total direct transaction costs	38,435	0.33%	35,344	0.29%

**13. Transaction costs (continued)****(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 1.16% (31 December 2018: 1.55%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

**14. Capital commitments and contingent liabilities**

The Fund had no capital commitments or contingent liabilities at the balance sheet date (31 December 2018: £nil).

**15. Going concern**

During the period from the date of the Balance Sheet to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale.

The Fund's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Manager's Investment Review on pages 12 to 15. The Fund has sufficient resources to meet both further investments in portfolio companies and working capital requirements for the foreseeable future. The ACD believes the key risk facing the Fund to be the Fund's ability to cover any potential significant redemptions out of the Fund. However, as the assets of the Fund consist predominantly of readily realisable securities the ACD believes the Fund is well positioned to manage its business risks successfully. In light of this the ACD has a reasonable expectation that the Fund will continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**16. Post balance sheet events**

During the period from the date of the Balance Sheet to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. In accordance with the requirements of FRS 102 the fair valuations at the Balance Sheet date reflect the economic conditions in existence at that date.

Since the Balance Sheet date, the valuation of the quoted investments held has decreased from £14,091,455 to £9,426,354 (17 April 2020).

Subsequent to the year-end, the net asset value per share of each share class has changed as follows:

A Accumulation Shares – Decreased from 544.96 pence per share to 359.01 pence per share (17 April 2020).

B Accumulation Shares – Decreased from 892.29 pence per share to 589.13 pence per share (17 April 2020).

There are no post balance sheet events which require adjustments at the year-end.

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**TB SARACEN UK ALPHA FUND, DISTRIBUTION TABLE**For the year ended 31 December 2019

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**Final Distribution (31 December 2019)**

Group 1 - Shares purchased on or prior to 31 December 2018

Group 2 - Shares purchased after 31 December 2018

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Shares	Revenue	Equalisation <sup>1</sup>	Paid/ Accumulated	Paid/ Accumulated
	(pence)	(pence)	(pence)	(pence)
<b>B Accumulation</b>				
Group 1	19.4985	-	19.4985	12.9638
Group 2	8.1204	11.3781	19.4985	12.9638
<b>A Accumulation</b>				
Group 1	8.4090	-	8.4090	5.2277
Group 2	3.9319	4.4771	8.4090	5.2277

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<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to revenue tax but must be deducted from the cost of shares for capital gains tax purposes.

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## **TB SARACEN GLOBAL INCOME AND GROWTH FUND, AUTHORISED STATUS**

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The Fund is a sub-fund of TB Saracen Investment Funds ICVC with investment powers equivalent to those of a UCITS Scheme as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

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## **INVESTMENT OBJECTIVE AND POLICY**

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The investment objective of TB Saracen Global Income and Growth Fund ('SGIG') is to provide a degree of income to investors together with the aim of building capital. To meet this objective, the Investment Manager will carefully select and invest in a diversified portfolio of primarily overseas securities which provide the potential for income and long-term capital growth. These securities will be chosen from certain overseas markets, as well as the United Kingdom and may comprise equity and fixed interest securities. The number of securities held within the portfolio may be restricted if this is deemed to be necessary at the discretion of the Investment Manager. The Fund may also invest in cash and near cash, deposits and collective investment schemes. In addition to maximising returns, the Investment Manager will also seek to protect the capital of investors. The Investment Manager will employ a value based approach, using both quantitative and qualitative techniques to achieve the above objective. In addition to the objective of maximising returns, the Investment Manager will also seek to protect the capital of investors. Whilst risk will be carefully controlled through diversification and rigorous analysis investor's capital will be at risk and there is no guarantee that the investment objective will be achieved.

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## **RISK PROFILE**

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The value of the investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested. There is no guarantee that the Fund will meet its stated objectives. The movements of exchange rates may lead to further changes in the value of investments and the income from them. There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

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## **SYNTHETIC RISK AND REWARD INDICATOR**

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The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 5 because it invests in shares, an asset class that has seen large rises and falls in recent years.

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, ONGOING CHARGES FIGURE**

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The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the annual management charge, but also includes the costs for other services paid in respect of depositary, custody, FCA and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 47 to 50.

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**CHANGES TO EXPENSES**

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As of March 2018, following FCA Approval and shareholder notification, the Fund changed its allocation of expenses to 100% Capital. Prior to this expenses were split, with 50% taken from Revenue and 50% taken from Capital.

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## TB SARACEN GLOBAL INCOME AND GROWTH FUND, INVESTMENT REVIEW

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### Performance

	Cumulative returns for the periods ended 31 December 2019 (%)		
	1 year	3 years	5 years
B Accumulation Shares	14.22	13.04	48.83
IA Global Equity Income Sector*	18.63	23.29	54.24

\* Comparator Benchmark.

Source: Financial Express. Total return, bid to bid. Sterling terms.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

### Overview

Global markets had a strong finish to the year as some longstanding overhangs dissipated. The US and China finally agreed a Phase 1 trade deal, which was signed on 15 January. Closer to home the decisive win by the Conservative Party meant clarity on Brexit and raised expectations for a substantial investment plan going forward. This also led to a strong rally in Sterling over the last three months. Liquidity remains abundant with the Fed keeping interest rates on hold and growing its Balance Sheet again (although they are adamant that this is not QE4!). Also, economic data continues to show modest improvement and fears of an imminent global recession diminished.

SGIG achieved a total return of +14.2% (B Accumulation Shares) over the past 12 months which compares to +18.6% for the IA Global Equity Income Sector. The full year dividend on the B distribution share class was increased by 24% to 6.74p. Since inception on 8 June 2011 to 31 December 2019, SGIG has achieved second quartile performance achieving a total return of +114% against a total return of +110% from the IA Global Equity Income Sector.

### Performance Review

2019 can be simply characterised as 8 months of the same expensive and over-owned bond proxies and growth shares outperforming, with the final 4 months encompassing a value rebound; the suddenness and extent of this trend reversal caught many off guard. Bull markets climb a wall of worry, but at least some of the major UK uncertainties, Brexit and political stagnation appear to have been washed away with a commanding Conservative majority. From a global perspective, a US-China trade deal appears to be edging slowly to a conclusion and many economic indicators remain in positive territory. There is potential, of course, for progress to be derailed by an escalation of the conflict with Iran in the Middle East, but overall, we are in a better position as we enter 2020 than we were a year earlier.

We have always aimed to build high conviction portfolios with a capital preservation focus. Style Analysis has always indicated we carry a Value bias, but rarely as extreme as the current portfolio. This is not a reflection on any change in process (It has not changed!) but a reflection of the overvaluation of several parts of the equity market. We remain convinced that shares should be valued on their long-term cash earnings and we spend the vast majority of our time constructing detailed financial models to estimate this value and re-assessing through a worst-case to better understand company specific risk, with the aim of preserving capital. Share prices fluctuate much more than business values, hence we are typically more active in times of market volatility. There is no disguising that a Value style has been very difficult in recent years. The middle ground, often referred to as GARP has eroded significantly; valuations are at extremes at both ends of the scale. Rarely has Value been at such a discount to the wider market and rarely has Quality and Growth stood at such a premium. We appreciate that premiums can be earned and justified by higher earnings, or the expectation of higher earnings. However, this has not been the case this time around: Value has under-performed despite better earnings and we see many incidences of re-ratings in Quality and Growth without any appreciable improvement in earnings growth at all. It is hard to explain many share price movements in terms of earnings.

However, it is clear that investors have been prepared to pay higher premiums for growth in certain parts of the market. This happens from time-to-time, but it's a question of "when", not "if" fundamentals reassert themselves again. It feels as if the mood is changing. The snap back on September 10th (where value outperformed growth by over 2%, which represented the biggest one day move in over 10 years) reminded investors that a change can be sharp and painful. As regular readers will know, we are not in the camp that believes that it is possible to time these changes in sentiment. As a result of following our process, we are sometimes too early to Sell and too early to Buy. The duration of these trends this time around have been surprisingly long. Nevertheless, we would always rather be owning undervalued shares and trying to be patient, than owning expensive shares hoping to sell them when they are even more overvalued. Following the Swedish Central Bank raising interest rates to zero in December, and previous comments from Draghi, evidence is gathering that we have reached the end of the monetary experiment and additional stimuli will come from traditional fiscal means. Clearly, this undermines any future support to the bond-proxies. Whether it's tax cuts or government spending, fiscal loosening is much more likely to benefit consumer and more cyclical sectors in the economy, where valuations are around historic lows.

As in previous years, we have been surprised at both the differential and scale of share price movements for the constituents of SGIG, which is intended to provide steady and predictable returns. Nevertheless, a number of patterns can be identified:

- Many of our more cyclical holdings rebounded strongly from their December 2018 lows. Schneider (+45%), ABB (+23%), Rio Tinto (+19%) and Saint Gobain (+19%) have contributed positively to performance.
- Healthcare stocks continued to do well, despite outperforming massively in 2018. AstraZeneca (+29%), Merck (+17%), Novo Nordisk (+23%) and Roche (+27%) all had a good 12 months.
- European banks shares such as Allied Irish Bank (-20%) and HSBC (-8%) all contributed negatively to performance.
- Tobacco shares are currently completely out of favour with investors. Our holding in Imperial Brands (-21%) had a difficult 12 months.

The focus of the portfolio is firmly company-based. In order to reduce the risk of portfolio concentration and style we operate with constraints on the number of holdings and sector limits in the Fund. We are aware that investment risk for many of our clients correlates with losing money. While we believe we are limited in our ability to spot short-term fluctuations, we also analyse each investment on a realistic 'worst case' basis. When analysing any investment where we estimate the worst case to be too unpalatable, we do not invest. Similarly, if the worst case of an existing holding was to deteriorate to an unacceptable level, then the shares would be sold. Other reasons for selling an investment would be on valuation grounds, or if we are able to invest in a similar company with a lower valuation and better risk profile. We take a long-term view and tend to trade very rarely. However, our activity increases during periods of market volatility.

During 2019, we added seven new holdings in businesses where the recent share price movements provided an attractive entry point, namely; Asahi Group, Barclays Plc, Bristol Myers Squibb, eBay, Hugo Boss, Sabre Inc and Samsonite. We funded these purchases by selling our holdings in Anta Sports, Ashmore Group, Corteva (spun out of DowDuPont), and Mondelez on valuation grounds. We also sold BMW and Invesco based on our WorstCase scenario analysis.

Asahi completely dominates the Japanese beer market with its Asahi beer and is turning this into a global premium brand alongside its recently acquired Peroni and Grolsch brands. It is also a market leader in its soft drinks and foods division. Whilst the domestic business is dull, it should offer steady growth. The real opportunity will be in the overseas division. The valuation looks incredibly cheap (on an absolute and relative basis) as the shares trade on 14X 2019 PER. Whilst the 2.2% yield is on the low side for SGIG, the pay-out ratio is only 30% today and will be increased from this level in the future which should lead to 9.4% dividend growth per annum over the 5-year forecast period.

Barclays has all the attributes that we look for in a bank, in that it has shrunk the Balance Sheet since the Great Financial Crisis, focussed more on costs than growth, has surplus capital and has changed management. The strategy is based on simplifying the group, building a robust capital base and shrinking non-core activities and management has deconsolidated Africa. The shares are trading significantly below the Tangible BV of 275p. This is an unloved business in an unloved sector. The rating assumes the worst, when the reality is that Barclays has many strong business franchises and the shares are very cheap.

Bristol Myers Squibb de-rated massively in the last four years. It used to be a stock market darling as investors had high hopes for its immunotherapy drugs. When these didn't deliver the shares turned into a "fallen star". With its narrower pipeline compare to others in the industry it certainly deserves a discount. However, the recent announced acquisition of Celgene should extend the pipeline and the time it takes to approach a potential patent cliff. Margins are very high due to low manufacturing costs and from efficiencies from the narrow concentration of drugs and therapies. The balance sheet is robust even after the Celgene acquisition with net debt / EBITDA forecast at 1.1x in 2020. Equally, the cash dividend cover is strong, and the company offers an attractive yield of 3.3%. We believe that the shares trade at too big a discount to other holdings in the sector.

eBay appeared on our proprietary screen following its Board's decision to pay a maiden dividend earlier in 2019. eBay was the original online marketplace, starting more than 20 years ago as a simple place for buyers and sellers to connect. Over the following two decades, eBay evolved into one of the world's largest e-commerce platforms with #1 or #2 market positions in most geographies (ex-China) – a global marketplace facilitating nearly \$90 billion of transactions between over 180 million users and 25m sellers across 190 countries. eBay ticks all the boxes we look for in SGIG - it is a high-quality business that should be able to sustain attractive returns on invested capital, it is a global leading platform that offers long-term growth, the margins are strong, the Balance Sheet is robust, the valuation is attractive, and the business is very cash generative. The starting dividend is on the low side for SGIG, but the dividend is currently 5X covered by cash. This dividend could be grown significantly over the 5-year forecast period. With the shares trading on 13 Dec 2020 and a year 5 PER of 7.6X.

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, INVESTMENT REVIEW (CONTINUED)**


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Hugo Boss shares fell to a 10-year low valuation after profit warning in October. The Year 1 PER was now 11x and the Year 5 PER 8.0x. Equally, the historic dividend yield of 7.4% was the highest since 2010. In addition, the Balance Sheet is ungeared. We consequently bought a position for our fund.

Sabre has a strong recurring, transaction-based revenue model with long-term contracts and high retention rates. In addition, the pricing model (based on tickets sold or passengers boarded) means it is not heavily exposed to cyclicalities in ticket pricing. Sabre is cheap on a standalone basis (14X 2018 PER, 2.7% dividend yield) and trades at a material discount to Amadeus despite benefitting from the same trends; namely the long-term growth in global travel, legacy airlines outsourcing IT, and potential in new business areas like Hotels.

Samsonite is the largest luggage company globally with a very diversified geographical footprint (39% North America, 35% Asia, 21% Europe and 5% Latin America) and has diversified further in terms of brands through M&A (e.g. the acquisition of Tumi in 2016). The shares have fallen by more than 50% since April 2018 as the business has been impacted by the US/China trade war and specifically the 25% tariff imposed on luggage which is made in China and sold in the US. In addition, the continued fears about a global recession and disruptions in Hong Kong and France have impacted investor sentiment. However, these factors should be resolved in the next couple of years! We believe that Samsonite is a great fit for SGIG. It is emerging market listed, a global leader in luggage, very well diversified by geography and increasingly diversified in products. The shares trade on an attractive multiple of trough earnings (14X PER 2020) and a year 5 PER of 8.4X supported by an attractive dividend yield of 3.7%.

TB Saracen Global Income & Growth had 40 high conviction holdings at the end of the period - which is at the base of our 40 – 60 range. As of 31 December 2019, the forecast PE on the Fund of 11.5x compares favourably to the 14.8x for the FTSE All World Index. The Fund also has a greater dividend yield at 3.7% versus just 2.8% for the Index. (Source: Bloomberg).

The asset allocations at the year-end are shown in the table below:

Sector	Asset allocation as at 31 December 2019 (%)	Asset allocation as at 31 December 2018 (%)
Denmark	3.0	2.3
France	11.1	11.3
Germany	10.2	9.4
Hong Kong	1.3	1.6
Ireland (Republic Of)	2.4	2.7
Japan	1.4	-
Singapore	3.3	2.4
Sweden	3.5	3.7
Switzerland	8.0	9.8
United Kingdom	16.6	19.4
United States	40.4	38.1
Cash and Other	(1.2)	(0.7)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The full list of holdings at the year-end is shown in the portfolio statement on pages 44 to 46.

**Outlook**

Clearly the COVID-19 pandemic has impacted global stock markets and the performance of the fund in Q1 2020. We expect coronavirus to cause a sharp recession. However, the unprecedented scale and speed of fiscal policy should ensure a swift rebound in economic activity when the lockdown ends.

We expect this to result in a change in market leadership towards Value stocks! Bear markets end with recessions, they don't begin with them!

We have a disciplined and repeatable investment process which is designed to help us at times of market stress. We tend to be much more active during periods of market volatility and have taken advantage of the fall in markets to significantly upgrade the portfolio. We have bought 5 new holdings which we have followed for many years but had never been cheap enough nor yielded enough for us to own. We also topped up our highest conviction holdings. We consider the portfolio to be well-positioned for the long-term and do not expect to make more significant changes.

The fund looks cheap on all metrics and currently yields 4.9% based on our central case assumptions. As a reminder, the fund remains very liquid with the average market capitalisation of companies currently £55bn.

We are committed to our process: valuations do matter over the longer-term. We expect the Fund to materially outperform and recover lost ground when we enter the economic recovery phase.

**Graham Campbell**  
**Co-Fund Manager**  
**Saracen Fund Managers Limited**  
**Edinburgh, United Kingdom**  
**30 April 2020**

**David Keir**  
**Co-Fund Manager**  
**Saracen Fund Managers Limited**  
**Edinburgh, United Kingdom**  
**30 April 2020**

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, PORTFOLIO STATEMENT**

 As at 31 December 2019
 

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Denmark</b>		
<b>(3.0%; 31.12.18 - 2.3%)</b>		
27,500 Nov o-Nordisk	1,207,824	1.1
66,500 Pandora	2,184,997	1.9
	<b>3,392,821</b>	<b>3.0</b>
<b>France</b>		
<b>(11.1%; 31.12.18 - 11.3%)</b>		
83,000 Axa	1,763,715	1.6
131,000 Compagnie De Saint Gobain	4,048,002	3.6
24,000 Michelin	2,215,713	1.9
40,000 Schneider Electric	3,098,544	2.7
55,000 Valeo	1,462,538	1.3
	<b>12,588,512</b>	<b>11.1</b>
<b>Germany</b>		
<b>(10.2%; 31.12.18 - 9.4%)</b>		
160,000 Ev onik Industries	3,688,452	3.2
51,000 HeidelbergCement	2,802,150	2.5
67,000 Hugo Boss	2,452,091	2.2
225,000 Prosiebensat.1 Media	2,649,636	2.3
	<b>11,592,329</b>	<b>10.2</b>
<b>Hong Kong</b>		
<b>(1.3%; 31.12.18 - 1.6%)</b>		
800,000 Samsonite International	1,446,478	1.3
	<b>1,446,478</b>	<b>1.3</b>
<b>Ireland (Republic of)</b>		
<b>(2.4%; 31.12.18 - 2.7%)</b>		
1,050,000 AIB	2,759,228	2.4
	<b>2,759,228</b>	<b>2.4</b>

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, PORTFOLIO STATEMENT (CONTINUED)**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Japan</b> (1.4%; 31.12.18 - 0.0%)		
46,000 Asahi	1,591,141	1.4
	<b>1,591,141</b>	<b>1.4</b>
<b>Singapore</b> (3.3%; 31.12.18 - 2.4%)		
260,000 DBS	3,773,229	3.3
	<b>3,773,229</b>	<b>3.3</b>
<b>Sweden</b> (3.5%; 31.12.18 - 3.7%)		
485,000 Svenska Handelsbanken	3,939,958	3.5
	<b>3,939,958</b>	<b>3.5</b>
<b>Switzerland</b> (8.0%; 31.12.18 - 9.8%)		
69,000 ABB	1,257,384	1.1
19,550 Roche Holding	4,651,494	4.1
340,000 UBS	3,241,126	2.8
	<b>9,150,004</b>	<b>8.0</b>
<b>United Kingdom</b> (16.6%; 31.12.18 - 19.4%)		
23,000 Astrazeneca	1,749,380	1.5
1,215,000 Barclays	2,182,140	1.9
505,000 BP	2,381,580	2.1
435,000 HSBC Holdings	2,574,765	2.3
204,000 Imperial Brands	3,812,760	3.4
135,000 Johnson Matthey	4,040,550	3.6
44,500 Rio Tinto	2,003,613	1.8
	<b>18,744,788</b>	<b>16.6</b>

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, PORTFOLIO STATEMENT (CONTINUED)**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>United States</b>		
<b>(40.4%; 31.12.18 - 38.1%)</b>		
45,000 Bristol-Myers Squibb	2,175,865	1.9
39,000 Carnival	1,494,368	1.3
24,000 Chevron	2,179,597	1.9
82,000 Cisco Systems	2,964,563	2.6
70,000 Corning	1,535,852	1.3
47,433 Dow	1,956,973	1.7
30,433 Dupont De Nemours	1,472,202	1.3
65,000 Ebay	1,769,698	1.6
78,000 Intel	3,517,439	3.1
41,100 International Business Machines	4,151,525	3.6
186,000 Interpublic Group of Companies	3,238,136	2.8
36,500 Johnson & Johnson	4,011,890	3.5
41,500 Merck & Co.	2,844,892	2.5
95,000 Pfizer	2,804,946	2.5
76,000 Philip Morris International	4,871,839	4.3
135,000 Sabre	2,284,099	2.0
95,000 Schlumberger	2,878,006	2.5
	<b>46,151,890</b>	<b>40.4</b>
<b>Portfolio of investments</b>	<b>115,130,378</b>	<b>101.2</b>
<b>Net other assets</b>	<b>(1,367,753)</b>	<b>-1.2</b>
<b>Total net assets</b>	<b>113,762,625</b>	<b>100.0</b>

All holdings are in equities listed on recognised stock exchanges.

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, SUMMARY OF FUND PERFORMANCE**


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<b>B Accumulation Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	(Pence per Share)	(Pence per Share)	(Pence per Share)
<b>Change in net assets per share</b>			
Opening net asset value per share	187.47	208.54	188.11
Return before operating charges*	27.03	(18.96)	22.46
Operating charges	(1.98)	(2.11)	(2.03)
Return after operating charges*	25.05	(21.07)	20.43
Distributions	(8.54)	(6.69)	(5.22)
Retained distributions on accumulation shares	8.54	6.69	5.22
Closing net asset value per share	212.52	187.47	208.54
* after direct transaction costs of:	0.22	0.21	0.49
<b>Performance</b>			
Return after charges	13.36%	(10.10)%	10.86%
<b>Other information</b>			
Closing net asset value	£30,565,628	£37,209,623	£38,377,092
Closing number of shares	14,382,481	19,848,539	18,403,115
Operating charges (p.a)	1.02%	1.04%	1.01%
Direct transaction costs (p.a)	0.11%	0.10%	0.25%
<b>Prices</b>			
Highest published share price	219.20	216.81	210.36
Lowest published share price	187.27	185.20	188.99

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)**


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<b>B Distribution Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	(Pence per Share)	(Pence per Share)	(Pence per Share)
<b>Change in net assets per share</b>			
Opening net asset value per share	149.36	171.94	159.16
Return before operating charges*	21.52	(15.38)	18.87
Operating charges	(1.56)	(1.72)	(1.70)
Return after operating charges*	19.96	(17.10)	17.17
Distributions on income shares	(6.75)	(5.48)	(4.39)
Closing net asset value per share	162.57	149.36	171.94
* after direct transaction costs of:	0.17	0.17	0.41
<b>Performance</b>			
Return after charges	13.36%	(9.95)%	10.79%
<b>Other information</b>			
Closing net asset value	£77,508,509	£69,517,973	£71,005,604
Closing number of shares	47,678,009	46,543,115	41,297,428
Operating charges (p.a.)	1.02%	1.04%	1.01%
Direct transaction costs (p.a.)	0.11%	0.10%	0.25%
<b>Prices</b>			
Highest published share price	171.43	177.50	174.86
Lowest published share price	149.20	149.73	159.91

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)**


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<b>A Accumulation Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>
<b>Change in net assets per share</b>			
Opening net asset value per share	147.36	165.15	150.09
Return before operating charges*	21.22	(14.92)	17.86
Operating charges	(2.77)	(2.87)	(2.80)
Return after operating charges*	18.45	(17.79)	15.06
Distributions	(6.69)	(5.16)	(3.55)
Retained distributions on accumulation shares	6.69	5.16	3.55
Closing net asset value per share	165.81	147.36	165.15
* after direct transaction costs of:	0.17	0.17	0.39
<b>Performance</b>			
Return after charges	12.52%	(10.77)%	10.03%
<b>Other information</b>			
Closing net asset value	£2,360,472	£2,421,340	£3,195,913
Closing number of shares	1,423,584	1,643,193	1,935,186
Operating charges (p.a)	1.77%	1.79%	1.76%
Direct transaction costs (p.a)	0.11%	0.10%	0.25%
<b>Prices</b>			
Highest published share price	171.55	170.86	166.89
Lowest published share price	147.20	145.58	150.70

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)**


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<b>A Distribution Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>	<small>(Pence per Share)</small>
<b>Change in net assets per share</b>			
Opening net asset value per share	125.22	145.12	134.85
Return before operating charges*	18.00	(12.89)	15.95
Operating charges	(2.32)	(2.50)	(2.50)
Return after operating charges*	15.68	(15.39)	13.45
Distributions on income shares	(5.64)	(4.51)	(3.18)
Closing net asset value per share	135.26	125.22	145.12
* after direct transaction costs of:	0.15	0.15	0.35
<b>Performance</b>			
Return after charges	12.52%	(10.61)%	9.97%
<b>Other information</b>			
Closing net asset value	£3,328,018	£3,344,616	£4,331,877
Closing number of shares	2,460,486	2,671,087	2,985,050
Operating charges (p.a.)	1.77%	1.79%	1.76%
Direct transaction costs (p.a.)	0.11%	0.10%	0.25%
<b>Prices</b>			
Highest published share price	143.40	149.77	147.58
Lowest published share price	125.07	125.54	135.40

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, STATEMENT OF TOTAL RETURN**  
For the year ended 31 December 2019

	Notes	£	31.12.19 £	31.12.18 £
Income				
Net capital gains/(losses)	2		11,232,516	(15,357,341)
Revenue	3	5,208,776		4,483,978
Expenses	4	(1,254,998)		(1,308,804)
Interest payable and similar charges	6	(2,117)		(459)
Net revenue before taxation		3,951,661		3,174,715
Taxation	5	(423,544)		(389,394)
Net revenue after taxation			3,528,117	2,785,321
<b>Total return/(loss) before distributions</b>			<b>14,760,633</b>	<b>(12,572,020)</b>
Distributions	6		(4,968,735)	(3,970,809)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>9,791,898</b>	<b>(16,542,829)</b>

Note: All of the Company's and sub-fund's results are derived from continuing operations.

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
For the year ended 31 December 2019

	Notes	£	31.12.19 £	31.12.18 £
<b>Opening net assets attributable to shareholders</b>			<b>112,493,552</b>	<b>116,910,486</b>
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		19,588,832		51,100,730
Amounts payable on cancellation of shares		(29,580,814)		(40,412,747)
			(9,991,982)	10,687,983
Change in net assets attributable to shareholders from investment activities			9,791,898	(16,542,829)
Retained distributions on accumulation shares	6		1,469,157	1,437,912
<b>Closing net assets attributable to shareholders</b>			<b>113,762,625</b>	<b>112,493,552</b>

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, BALANCE SHEET**  
As at 31 December 2019

	Notes	31.12.19 £	31.12.18 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments		115,130,378	113,311,565
<b>Current Assets:</b>			
Debtors	7	682,833	476,467
Cash and bank balances	8	48,392	-
<b>Total assets</b>		<b>115,861,603</b>	<b>113,788,032</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Bank overdrafts	9	-	36,257
Distribution payable on income shares	6	1,392,240	1,072,047
Other creditors	10	706,738	186,176
<b>Total liabilities</b>		<b>2,098,978</b>	<b>1,294,480</b>
<b>Net assets attributable to shareholders</b>		<b>113,762,625</b>	<b>112,493,552</b>

**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 Financial Reporting Standards 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and its sub-funds consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence for at least the next 12 months from the approval of these financial statements.

**(b) Functional Currency**

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Company operates.

**(c) Recognition of revenue**

Dividends on holdings, net of any irrecoverable tax, are recognised when the underlying security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

**(d) Treatment of stock dividends**

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

**(e) Treatment of expenses**

All expenses, net of any associated tax effect, are allocated to the capital account with the exception of bank interest and transaction charges relating to the payment of revenue, which are allocated to the revenue account on an accruals basis.

**(f) Allocation of revenue and expenses to multiple share classes**

Any assets or liabilities not attributable to a particular share class are allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

**(g) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%. This is the rate that has been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2019

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**1. Accounting policies (continued)****(h) Distribution policy**

Revenue produced by the Fund's investments accrues six-monthly. At the end of each period, the revenue, plus an adjustment for expenses allocated to capital and less the expenses allocated to the revenue account, is accumulated/distributed at the discretion of the Investment Manager as per the prospectus.

**(i) Exchange rates**

Assets and liabilities in overseas currencies at the period end are translated into Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the year are recorded at the rate of exchange on the date of the transaction.

**(j) Financial instruments**

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at closing prices on the balance sheet date, with any gains or losses arising on measurement recognised in the statement of total return. If closing prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the ACD, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

**2. Net capital gains/(losses)**

	31.12.19	31.12.18
	£	£
Non-derivative securities	15,154,166	(18,908,491)
Currency (losses)/gains	(3,918,318)	3,553,507
Transaction charges	(3,243)	(2,255)
Market Associated Costs	(89)	(102)
<b>Net capital gains/(losses)</b>	<b>11,232,516</b>	<b>(15,357,341)</b>

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

As at 31 December 2019

<b>3. Revenue</b>	<b>31.12.19</b>	<b>31.12.18</b>
	<b>£</b>	<b>£</b>
UK franked dividends	1,236,230	1,040,944
Overseas dividends	3,986,996	3,446,941
Unfranked income currency losses	(14,463)	(4,094)
Bank interest	13	187
<b>Total revenue</b>	<b>5,208,776</b>	<b>4,483,978</b>

<b>4. Expenses</b>	<b>31.12.19</b>	<b>31.12.18</b>
	<b>£</b>	<b>£</b>
<b>Payable to the ACD, associates of the ACD and agents of either:</b>		
Annual management charge	937,981	961,549
Registration fees	33,102	38,188
Administration fees	121,799	151,552
	<u>1,092,882</u>	<u>1,151,289</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either:</b>		
Depositary's fees	44,783	45,267
Safe custody fees	36,363	22,727
	<u>81,146</u>	<u>67,994</u>
<b>Other expenses:</b>		
Audit fee	6,822	6,600
Tax fee	2,352	2,280
FCA fee	158	161
Research Fees	68,356	80,480
Other expenses	3,282	-
	<u>80,970</u>	<u>89,521</u>
<b>Total expenses</b>	<b>1,254,998</b>	<b>1,308,804</b>

	<b>31.12.19</b>	<b>31.12.18</b>
	<b>£</b>	<b>£</b>
<b>Fees payable to the company auditor for the audit of the companies annual financial statements:</b>		
Total audit fee	<u>6,822</u>	<u>6,600</u>
Total non audit fees - Tax compliance services	<u>2,352</u>	<u>2,280</u>

As of March 2018 the fund charges its expenses to Capital, prior to this expenses were split, with 50% taken from Income and 50% taken from Capital.

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

As at 31 December 2019

**5. Taxation**

**(a) Analysis of the charge in the year**

	31.12.19	31.12.18
	£	£
<b>Analysis of charge in the year</b>		
Overseas tax	423,544	389,394
<b>Total current tax for the year (see note 5(b))</b>	<b>423,544</b>	<b>389,394</b>
Deferred tax (see note 5(c))	-	-
<b>Total taxation for the year</b>	<b>423,544</b>	<b>389,394</b>

**(b) Factors affecting the current taxation charge for the year**

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	31.12.19	31.12.18
	£	£
Net revenue before taxation	3,951,661	3,174,715
Corporation tax at 20%	790,332	634,943
<b>Effects of:</b>		
Revenue not subject to taxation	(1,044,645)	(897,577)
Excess expenses for which no relief taken	254,313	262,634
Overseas taxation	423,544	389,394
<b>Current tax charge for the year (see note 5(a))</b>	<b>423,544</b>	<b>389,394</b>

**(c) Provision for deferred tax**

As at 31 December 2019, the Fund had surplus management expenses of £5,722,150 (31 December 2018: £4,450,586). The deferred tax in respect of this would be £1,144,430 (31 December 2018: £890,117). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end (see note (5a)).

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

As at 31 December 2019

**6. Distributions**

**Distributions and interest**

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

	31.12.19	31.12.18
	£	£
Interim - Income	1,999,506	1,652,489
Final - Income	1,392,240	1,072,047
	<u>3,391,746</u>	<u>2,724,536</u>
Interim - Accumulation	914,713	865,714
Final - Accumulation	554,444	572,198
	<u>1,469,157</u>	<u>1,437,912</u>
Add: Revenue deducted on cancellation of shares	334,848	301,705
Deduct: Revenue received on issue of shares	(227,016)	(493,344)
<b>Net distribution for the year</b>	<u><b>4,968,735</b></u>	<u><b>3,970,809</b></u>
Interest	2,117	459
<b>Total finance costs</b>	<u><b>4,970,852</b></u>	<u><b>3,971,268</b></u>
<b>Reconciliation to net distribution for the year</b>		
Net revenue after taxation	3,528,117	2,785,321
Expenses allocated to capital, net of tax relief	1,254,997	1,187,236
Revenue currency (losses)/gains	185,621	(1,748)
<b>Net distribution for the year</b>	<u><b>4,968,735</b></u>	<u><b>3,970,809</b></u>

Details of the distributions per share are set out on pages 66 and 67.

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

As at 31 December 2019

**7. Debtors**

	31.12.19	31.12.18
	£	£
Amounts receivable for issue of shares	143,998	121,387
Sales awaiting settlement	106,905	-
Accrued revenue	152,780	114,475
Prepayments	50	40
Income tax recoverable	279,100	240,565
<b>Total debtors</b>	<b>682,833</b>	<b>476,467</b>

**8. Cash and bank balances**

	31.12.19	31.12.18
	£	£
Cash and bank balances	48,392	-
<b>Total cash and bank balances</b>	<b>48,392</b>	<b>-</b>

**9. Bank Overdrafts**

	31.12.19	31.12.18
	£	£
Bank overdrafts	-	36,257
<b>Total bank overdrafts</b>	<b>-</b>	<b>36,257</b>

**10. Other creditors**

	31.12.19	31.12.18
	£	£
Amounts payable for cancellation of shares	589,550	71,906
Accrued annual management charge	79,325	78,259
Accrued registration fees	2,722	3,108
Accrued administration fees	9,871	12,377
Accrued depositary fees	3,837	3,757
Accrued custody fees	12,144	7,724
Accrued audit fees	6,822	6,600
Accrued tax fees	2,352	2,280
Debit interest payable	115	165
<b>Total creditors</b>	<b>706,738</b>	<b>186,176</b>

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

As at 31 December 2019

**11. Related party transactions**

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions of shares. The monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at 31 December 2019, one single shareholder (a nominee accounts) held shares amounting to approximately 37.3% of the Fund's total net asset value.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the year-end, are fully disclosed in the notes to the Financial Statements.

**12. Share classes**

As at the year-end, the Fund had four share classes. The following table shows a breakdown of the change in shares in issue of each share class in the year:

	<b>B Accumulation</b>
Opening shares at the start of the year	19,848,539.460
Total creation of shares in the year	2,335,510.642
Total cancellation of shares in the year	(7,801,569.433)
<b>Closing shares at the end of the year</b>	<b>14,382,480.669</b>
	<b>B Distribution</b>
Opening shares at the start of the year	46,543,115.156
Total creation of shares in the year	9,055,640.308
Total cancellation of shares in the year	(7,920,746.202)
<b>Closing shares at the end of the year</b>	<b>47,678,009.262</b>
	<b>A Accumulation</b>
Opening shares at the start of the year	1,643,192.816
Total creation of shares in the year	51,733.867
Total cancellation of shares in the year	(271,343.182)
<b>Closing shares at the end of the year</b>	<b>1,423,583.501</b>
	<b>A Distribution</b>
Opening shares at the start of the year	2,671,087.045
Total creation of shares in the year	130,547.448
Total cancellation of shares in the year	(341,148.111)
<b>Closing shares at the end of the year</b>	<b>2,460,486.382</b>

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

As at 31 December 2019

**12. Share classes (continued)**

The annual management charge of each share class is as follows:

A Accumulation Shares	1.50% p.a.
B Accumulation Shares	0.75% p.a.
A Distribution Shares	1.50% p.a.
B Distribution Shares	0.75% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Summary of Fund Performance tables on pages 47 to 50. The distributions per share class are given in the distribution tables on pages 66 to 67. All share classes have the same rights on winding up.

**13. Risk management policies**

In pursuing the investment objectives, financial instruments are held, which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the period, are set out below:

**(a) Currency exposures**

The Fund's financial assets are invested in securities whose prices are quoted in various different currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 31 December 2019			Net foreign currency assets at 31 December 2018		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	-	27,120	27,120	-	26,451	26,451
Danish Krone	-	3,450	3,450	-	2,629	2,629
Hong Kong Dollar	-	1,446	1,446	-	1,751	1,751
Japanese Yen	-	1,605	1,605	-	-	-
Norwegian Krone	-	-	-	-	14	14
Singapore Dollar	-	3,773	3,773	-	2,727	2,727
Swedish Krona	-	3,951	3,951	-	4,201	4,201
Swiss Franc	-	9,172	9,172	-	11,085	11,085
US Dollar	-	46,336	46,336	-	43,007	43,007

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £8,762,326 (31 December 2018: £8,321,335). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £10,709,510 (31 December 2018: £10,170,521). These calculations assume all other variables remain constant. The Investment Manager employs no specific policy to manage currency risk.

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2019

**13. Risk management policies (continued)**

**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long- term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not interest bearing £'000	Floating rate financial liabilities £'000	Financial liabilities not interest bearing £'000	Total £'000
<b>31.12.19</b>						
Euro	-	-	27,120	-	-	27,120
Danish Krone	-	-	3,450	-	-	3,450
Hong Kong Dollar	-	-	1,446	-	-	1,446
Japanese Yen	-	-	1,605	-	-	1,605
Sterling	48	-	18,960	-	(2,099)	16,909
Singapore Dollar	-	-	3,773	-	-	3,773
Swedish Krona	-	-	3,951	-	-	3,951
Swiss Franc	-	-	9,172	-	-	9,172
US Dollar	-	-	46,336	-	-	46,336
<b>31.12.18</b>						
Euro	-	-	26,451	-	-	26,451
Danish Krone	-	-	2,629	-	-	2,629
Hong Kong Dollar	-	-	1,751	-	-	1,751
Norwegian Krone	-	-	14	-	-	14
Sterling	-	-	21,923	(36)	(1,258)	20,629
Singapore Dollar	-	-	2,727	-	-	2,727
Swedish Krona	-	-	4,201	-	-	4,201
Swiss Franc	-	-	11,085	-	-	11,085
US Dollar	-	-	43,007	-	-	43,007

**13. Risk management policies (continued)**

**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities (continued)**

Short-term debtors and creditors are included as financial assets and liabilities not bearing interest in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not bearing interest mainly comprise investments that do not have a maturity date.

**(c) Liquidity risk**

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its net asset value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

**(d) Credit risk**

Credit risk 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 and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

**(e) Market price risk and fair value of financial assets and liabilities**

The Fund's underlying investments are equities quoted on recognised stock exchanges. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share held within an underlying holding or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of equities in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £11,513,038 (31 December 2018: £11,331,157). This calculation assumes all other variables remain constant.

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

As at 31 December 2019

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**13. Risk management policies (continued)**

**(f) Fair value of financial assets and liabilities**

Valuation technique	INVESTMENT ASSETS	
	31 December 2019	31 December 2018
	£	£
Level 1: Quoted Prices	115,130,378	113,311,565
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	<u>115,130,378</u>	<u>113,311,565</u>

As at the year-end there were no investment liabilities (31 December 2018: £nil). There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

**(g) Commitments on derivatives**

No derivatives were held at the balance sheet date (31 December 2018: £nil).

**TB SARACEN GLOBAL INCOME AND GROWTH FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2019

**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 securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to the direct transaction cost below, indirect cost are incurred through the bid offer spread. It is not possible for the ACD to quantify these indirect cost. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the year are shown in the table below.

	31.12.19		31.12.18	
	£		£	
<b>Analysis of total purchase costs</b>				
<b>PURCHASES</b>				
Equities	33,680,165		54,427,727	
Net purchases before direct transaction costs	33,680,165		54,427,727	
		<b>% of total</b>		<b>% of total</b>
		<b>purchases</b>		<b>purchases</b>
<b>DIRECT TRANSACTION COSTS</b>				
Equities	71,161	0.21%	105,371	0.19%
Total direct transaction costs	71,161	0.21%	105,371	0.19%
<b>Gross purchases total</b>	<b>33,751,326</b>		<b>54,533,098</b>	
<b>Analysis of total sale costs</b>				
<b>SALES</b>				
Equities	42,837,969		42,482,596	
Gross sales before direct transaction costs	42,837,969		42,482,596	
		<b>% of total</b>		<b>% of total</b>
		<b>sales</b>		<b>sales</b>
<b>DIRECT TRANSACTION COSTS</b>				
Equities	(56,246)	0.13%	(22,367)	0.05%
Total direct transaction costs	(56,246)	0.13%	(22,367)	0.05%
<b>Net sales total</b>	<b>42,781,723</b>		<b>42,460,229</b>	
	31.12.19	<b>% of</b>	31.12.18	<b>% of</b>
	£	<b>average NAV</b>	£	<b>average NAV</b>
<b>Analysis of total direct transaction costs</b>				
Equities	127,407	0.11%	127,738	0.10%
Total direct transaction costs	127,407	0.11%	127,738	0.10%

As at 31 December 2019

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**14. Transaction costs (continued)**

**(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 0.00% (31 December 2018: 0.10%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

**15. Capital commitments and contingent liabilities**

The Fund had no capital commitments or contingent liabilities at the balance sheet date. (31 December 2018: £nil).

**16. Going concern**

During the period from the date of the Balance Sheet to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale.

The Fund's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Manager's Investment Review on pages 39 to 43. The Fund has sufficient resources to meet both further investments in portfolio companies and working capital requirements for the foreseeable future. The ACD believes the key risk facing the Fund to be the Fund's ability to cover any potential significant redemptions out of the Fund. However, as the assets of the Fund consist predominantly of readily realisable securities the ACD believes the Fund is well positioned to manage its business risks successfully. In light of this the ACD has a reasonable expectation that the Fund will continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**17. Post balance sheet events**

During the period from the date of the Balance Sheet to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. In accordance with the requirements of FRS 102 the fair valuations at the Balance Sheet date reflect the economic conditions in existence at that date.

Since the Balance Sheet date, the valuation of the quoted investments held has decreased from £115,130,378 to £82,582,876 (17 April 2020).

Subsequent to the year-end, the net asset value per share of each share class has changed as follows:

B Accumulation Shares – Decreased from 212.52 pence per share to 167.77 pence per share (17 April 2020). B Distribution Shares – Decreased from 162.57 pence per share to 128.34 pence per share (17 April 2020). A Accumulation Shares – Decreased from 165.81 pence per share to 130.60 pence per share (17 April 2020). A Distribution Shares – Decreased from 135.26 pence per share to 106.54 pence per share (17 April 2020).

There are no post balance sheet events which require adjustments at the year-end.

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, DISTRIBUTION TABLE**For the year ended 31 December 2019

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**Interim Distribution (30 June 2019)**

Group 1 - Shares purchased on or prior to 31 December 2018

Group 2 - Shares purchased after 31 December 2018

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Shares	Revenue	Equalisation <sup>1</sup>	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.08.19 (pence)	31.08.18 (pence)
<b>B Distribution</b>				
Group 1	3.9500	-	3.9500	3.2860
Group 2	2.0087	1.9413	3.9500	3.2860
<b>A Distribution</b>				
Group 1	3.3047	-	3.3047	2.6603
Group 2	1.1268	2.1779	3.3047	2.6603
<b>B Accumulation</b>				
Group 1	4.9586	-	4.9586	3.9857
Group 2	2.7347	2.2239	4.9586	3.9857
<b>A Accumulation</b>				
Group 1	3.8893	-	3.8893	3.0264
Group 2	1.7584	2.1309	3.8893	3.0264

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<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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**TB SARACEN GLOBAL INCOME AND GROWTH FUND, DISTRIBUTION TABLE**For the year ended 31 December 2019

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**Final Distribution (31 December 2019)**

Group 1 - Shares purchased on or prior to 30 June 2019

Group 2 - Shares purchased after 30 June 2019

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Shares	Revenue (pence)	Equalisation <sup>1</sup> (pence)	Paid/Accumulated	Paid/Accumulated
			28.02.20 (pence)	28.02.19 (pence)
<b>B Distribution</b>				
Group 1	2.7995	-	<b>2.7995</b>	<b>2.1973</b>
Group 2	0.9344	1.8651	<b>2.7995</b>	<b>2.1973</b>
<b>A Distribution</b>				
Group 1	2.3349	-	<b>2.3349</b>	<b>1.8466</b>
Group 2	0.6490	1.6859	<b>2.3349</b>	<b>1.8466</b>
<b>B Accumulation</b>				
Group 1	3.5780	-	<b>3.5780</b>	<b>2.7063</b>
Group 2	1.5649	2.0131	<b>3.5780</b>	<b>2.7063</b>
<b>A Accumulation</b>				
Group 1	2.7983	-	<b>2.7983</b>	<b>2.1321</b>
Group 2	1.2652	1.5331	<b>2.7983</b>	<b>2.1321</b>

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<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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## **TB SARACEN UK INCOME FUND, AUTHORISED STATUS**

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The Fund is a sub-fund of TB Saracen Investment Funds ICVC with investment powers equivalent to those of a UCITS Scheme as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

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## **INVESTMENT OBJECTIVE AND POLICY**

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The investment objective of TB Saracen UK Income Fund is to provide income exceeding 110% of the dividend income of MSCI UK All Cap Index and an overall return (income plus capital growth) which is superior to that index.

At least 80% of the Fund will be invested in the shares of UK companies (those companies which are either incorporated in the UK, domiciled in the UK or have a significant percentage of their business in the UK). The Fund may also invest in the shares of companies in overseas markets, bonds, other funds (up to a maximum of 10%) and cash and cash-like investments.

The Investment Manager will employ a value based approach, using both quantitative and qualitative techniques to achieve the above objective. In addition to the objective of maximising returns, the Investment Manager will also seek to protect the capital of investors. Whilst risk will be carefully controlled through diversification and rigorous analysis investor's capital will be at risk and there is no guarantee that the investment objective will be achieved. The Fund is benchmarked against the MSCI UK All Cap Index.

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## **RISK PROFILE**

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As the Fund will invest primarily in UK listed shares, the Fund will have greater exposure to UK markets, political and economic risks than a fund which diversifies across a number of countries.

The value of the investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested. There is no guarantee that the Fund will meet its stated objectives. The movement in exchange rates may lead to further changes in the value of investments and the income from them. There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

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## **SYNTHETIC RISK AND REWARD INDICATOR**

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The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 5 because it invests in shares, an asset class that has seen large rises and falls in recent years.

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## **ONGOING CHARGES FIGURE**

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The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the annual management charge, but also includes the costs for other services paid in respect of depositary, custody, FCA and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 77 and 78.

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## TB SARACEN UK INCOME FUND, INVESTMENT REVIEW

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### Performance

	Cumulative returns for the periods ended 31 December 2019 (%)		
	1 year	3 years	From launch <sup>1</sup>
B Accumulation Shares	26.22	35.90	40.82
MSCI UK All Cap Index*	18.34	20.73	35.16
IA UK Equity Income Sector**	20.07	19.58	30.48

<sup>1</sup> From 1 April 2015. \* Target Benchmark. \*\* Comparator Benchmark.

Source: Financial Express. Total return, bid to bid. Sterling terms.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

### Overview

The Fund enjoyed a very strong end to 2019 with the shares rising by 12.6% during the final quarter, well ahead of the 3.7% rise in the MSCI UK All Cap index. Overall 2019 ended up being a pleasing year, with the Fund rising by 26.2% in value. Our focus on small and midcap companies along with an ongoing valuation discipline allowed us to profit from volatility throughout the year, despite a tricky summer period for the portfolio.

During 2019 the MSCI UK All Cap Index rose by 18.3%. Overall returns were highest in mid and smallcap companies with the FTSE Mid250 gaining 28.9%, whilst the FTSE Small Cap returned 18.8%. The FTSE100 lagged a little, albeit returning a still creditable 17.2%.

The fund return was well ahead of both the index and peer group funds during the year with the IA UK Equity Income sector average returning 20.1%. As at 31st December 2019 the fund was placed in the top quartile of its peer group over one year, three years and since launch. (source : FE Trustnet)

With a clear Conservative majority in the December election and a smoother path to Brexit emerging, we finally saw some much needed clarity for UK investors, and the UK market responded positively towards the end of the year. It was particularly pleasing to see significant recovery in medium and smaller companies, especially in December. There remains an ongoing tussle between growth and value styles but, in general, there was a welcome focus on valuations at last. All of these trends were positives for the Fund.

### Portfolio Review

The Fund has 29 investments which are spread across a variety of market capitalisations. As at 31<sup>st</sup> December 2019 the breakdown of the portfolio by size was 35% largecap, 27% midcap and 31% smallcap/other. The fund held a cash balance of 6%.

The portfolio continues to be biased towards the financial, industrial and consumer sectors and has no exposure to defensive sectors such as utilities, healthcare, telecoms and staples

During the first half of 2019 we made two new investments. The cardboard packaging business **DS Smith** had been derated significantly as investors worried about their recent acquisition programme and volatility in paper prices. Chemicals company **Synthomer** has also seen derating as a result of concerns over the European economic outlook. Management have a strong track record and recently announced the first major acquisition since arriving over four years ago. In the summer we made two new investments in the construction sector, both of which proved to be at very depressed valuations. These were in **lbstock**, one of the UK's leading brick manufacturers and **Bovis Homes**, a leading housebuilder. Such was the change in sentiment post the election that we were able to realise substantial profits in both companies after a fairly short holding period. We also established a new holding in the real estate business, **U&I Group**.

The Fund benefitted from two takeovers during 2019 in **RPC Group** and **Greene King**, and both businesses were sold at a healthy profit. Other outright sales included **Kin & Carta**, **DiscoverieIE**, **Greencore** and **Clipper Logistics** most of which no longer fitted our income criteria.

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**TB SARACEN UK INCOME FUND, INVESTMENT REVIEW (CONTINUED)**

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The asset allocations at the year-end date are shown below:

<b>Sector</b>	<b>Asset allocation as at 31 December 2019 (%)</b>	<b>Asset allocation as at 31 December 2018 (%)</b>
Automobiles & Components	2.3	2.8
Banks	4.4	4.8
Chemicals	3.8	-
Construction Materials	4.7	5.3
Financial Services	8.8	9.2
Food & Beverages	-	2.4
General Financial	3.8	3.4
General Industrials	4.4	-
General Retailers	4.4	2.7
House, Leisure & Personal Goods	8.1	4.7
Life Insurance	7.4	7.3
Media	6.1	5.5
Mining	5.8	7.6
Oil & Gas Producers	4.8	6.6
Packaging	-	2.7
Real Estate	9.5	6.3
Support Services	9.1	15.9
Tobacco	4.2	5.1
Transportation	2.4	2.9
Travel & Leisure	-	3.7
Cash and Other	6.0	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The full list of holdings at the year-end is shown in the Portfolio Statement on pages 73 to 76.

### **Income**

The fund announced a final dividend of 3.167 per income share for the six months to 31<sup>st</sup> December, making 5.667p for the year, an increase of 8% on 2018's total of 5.238p. This is the second consecutive year of at least 8% increases and includes payments of special dividends which are not repeatable. Given the more muted outlook for dividend growth currently, it is unlikely that we will be in a position to grow dividends again in 2020.

**Outlook**

After a tricky summer period The Fund enjoyed an excellent end to 2019 and therefore posted strongly positive returns for the year as a whole. Despite significant headwinds for our style of investing we have stuck consistently to our value-based principles, and this began to translate to improved returns towards the end of 2019.

However, the outbreak of COVID19 has had a materially negative impact on the Fund's portfolio during the first three months of 2020 and we have seen significant falls in value during this period. Our value-led style and high exposure to mid and smallcap companies has been detrimental during the selloff in markets.

In addition, we have seen significant numbers of companies cancelling or deferring dividends during March and April, which are traditionally major months for dividend receipts. It is therefore likely that the Fund will see a material fall in its dividend income during 2020. Our current working assumption is for a decline in the range of 35-50%. We will update shareholders fully at our next report when hopefully things will have become clearer.

It is difficult to provide clarity at this stage, but we hope to see some degree of normality return during the second half of 2020. It is not possible to quantify the length and depth of the economic turmoil yet, but the effects are likely to be material and long-lasting. The UK equity market remains hugely out of favour with investors the world over and the major falls in dividend income across the market have not helped this perception.

To conclude, 2019 was a rewarding year for TB Saracen UK Income but 2020 is likely to be very challenging for both capital and dividends. Our current priority is to ensure that we are fit and ready for recovery in markets as and when the current crisis diminishes. We believe that our flexible 'multi-cap' approach to stock selection gives us a strong possibility of achieving positive real returns over the long term from here.

**Scott McKenzie**  
**Investment Director**  
**Saracen Fund Managers Limited**  
**Edinburgh, United Kingdom**  
**30 April 2020**

**TB SARACEN UK INCOME FUND, PORTFOLIO STATEMENT**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Automobiles &amp; Components</b> (2.3%; 31.12.18 - 2.8%)		
30,000 Ti Fluid Systems	79,500	2.3
	<b>79,500</b>	<b>2.3</b>
<b>Banks</b> (4.4%; 31.12.18 - 4.8%)		
250,000 Lloyds Banking Group	156,250	4.4
	<b>156,250</b>	<b>4.4</b>
<b>Chemicals</b> (3.8%; 31.12.18 - 0.0%)		
38,250 Synthomer	135,328	3.8
	<b>135,328</b>	<b>3.8</b>
<b>Construction Materials</b> (4.7%; 31.12.18 - 5.3%)		
32,000 Eurocell	76,800	2.2
33,000 Tyman	88,440	2.5
	<b>165,240</b>	<b>4.7</b>
<b>Financial Services</b> (8.8%; 31.12.18 - 9.2%)		
6,000 Intermediate Capital Group	96,600	2.7
16,000 Jupiter Fund Management	65,536	1.9
45,000 Standard Life Aberdeen	147,645	4.2
	<b>309,781</b>	<b>8.8</b>

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**TB SARACEN UK INCOME FUND, PORTFOLIO STATEMENT (CONTINUED)**

 As at 31 December 2019
 

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Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>General Financial</b>		
<b>(3.8%; 31.12.18 - 3.4%)</b>		
8,500 Close Brothers Group	135,830	3.8
	<b>135,830</b>	<b>3.8</b>
<b>General Industrials</b>		
<b>(4.4%; 31.12.18 - 0.0%)</b>		
40,000 DS Smith	153,640	4.4
	<b>153,640</b>	<b>4.4</b>
<b>General Retailers</b>		
<b>(4.4%; 31.12.18 - 2.7%)</b>		
50,000 Halfords Group	84,650	2.4
14,000 Superdry	70,490	2.0
	<b>155,140</b>	<b>4.4</b>
<b>House, Leisure &amp; Personal Goods</b>		
<b>(8.1%; 31.12.18 - 4.7%)</b>		
24,000 Galliford Try	206,280	5.8
15,000 Headlam Group	79,500	2.3
	<b>285,780</b>	<b>8.1</b>
<b>Life Insurance</b>		
<b>(7.4%; 31.12.18 - 7.3%)</b>		
37,042 Aviva	155,095	4.4
14,212 Phoenix	106,405	3.0
	<b>261,500</b>	<b>7.4</b>

**TB SARACEN UK INCOME FUND, PORTFOLIO STATEMENT (CONTINUED)**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Media</b>		
<b>(6.1%; 31.12.18 - 5.5%)</b>		
27,647 STV Group	112,800	3.2
9,650 WPP	102,917	2.9
	<b>215,717</b>	<b>6.1</b>
<b>Mining</b>		
<b>(5.8%; 31.12.18 - 7.6%)</b>		
5,870 BHP Group	104,298	3.0
2,235 Rio Tinto	100,631	2.8
	<b>204,929</b>	<b>5.8</b>
<b>Oil &amp; Gas Producers</b>		
<b>(4.8%; 31.12.18 - 6.6%)</b>		
21,500 John Wood	85,678	2.4
3,816 Royal Dutch Shell	85,459	2.4
	<b>171,137</b>	<b>4.8</b>
<b>Real Estate</b>		
<b>(9.5%; 31.12.18 - 6.3%)</b>		
40,000 Newriver REIT	80,200	2.3
42,000 Palace Capital	133,140	3.8
68,000 U & I	120,224	3.4
	<b>333,564</b>	<b>9.5</b>
<b>Support Services</b>		
<b>(9.1%; 31.12.18 - 15.9%)</b>		
64,737 Alpha Financial Markets Consulting	161,843	4.6
80,000 Gateley Holdings	157,600	4.5
	<b>319,443</b>	<b>9.1</b>

**TB SARACEN UK INCOME FUND, PORTFOLIO STATEMENT (CONTINUED)**  
As at 31 December 2019

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
<b>Tobacco</b> (4.2%; 31.12.18 - 5.1%)		
8,000 Imperial Brands	149,520	4.2
	<b>149,520</b>	<b>4.2</b>
<b>Transportation</b> (2.4%; 31.12.18 - 2.9%)		
18,000 National Express Group	84,060	2.4
	<b>84,060</b>	<b>2.4</b>
<b>Portfolio of investments</b>	<b>3,316,359</b>	<b>94.0</b>
<b>Net other assets</b>	<b>211,328</b>	<b>6.0</b>
<b>Total net assets</b>	<b>3,527,687</b>	<b>100.0</b>

All holdings are in equities listed on recognised stock exchanges.

'Food & Beverages' sector disinvested since the beginning of the period (31 December 2018: 2.4%).

'Packaging' sector disinvested since the beginning of the period (31 December 2018: 2.7%).

'Travel & Leisure' sector disinvested since the beginning of the period (31 December 2018: 3.7%).

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**TB SARACEN UK INCOME FUND, SUMMARY OF FUND PERFORMANCE**


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<b>B Accumulation Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	(Pence per Share)(Pence per Share)(Pence per Share)		
<b>Change in net assets per share</b>			
Opening net asset value per share	111.09	122.21	103.59
Return before operating charges*	31.22	(9.42)	20.55
Operating charges	(1.83)	(1.70)	(1.93)
Return after operating charges*	29.39	(11.12)	18.62
Distributions	(6.90)	(6.04)	(5.29)
Retained distributions on accumulation shares	6.90	6.04	5.29
Closing net asset value per share	140.48	111.09	122.21
* after direct transaction costs of:	0.31	0.31	0.33
<b>Performance</b>			
Return after charges	26.46%	(9.10)%	17.97%
<b>Other information</b>			
Closing net asset value	£2,373,178	£1,659,037	£1,741,712
Closing number of shares	1,689,391	1,493,387	1,425,209
Operating charges (p.a)	1.48%	1.38%	1.68%
Direct transaction costs (p.a)	0.25%	0.25%	0.29%
<b>Prices</b>			
Highest published share price	141.26	132.73	122.52
Lowest published share price	110.87	109.86	102.95

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**TB SARACEN UK INCOME FUND, SUMMARY OF FUND PERFORMANCE (CONTINUED)**


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<b>B Distribution Shares</b>	<b>1 Jan 2019 to 31 Dec 2019</b>	<b>1 Jan 2018 to 31 Dec 2018</b>	<b>1 Jan 2017 to 31 Dec 2017</b>
	(Pence per Share)(Pence per Share)(Pence per Share)		
<b>Change in net assets per share</b>			
Opening net asset value per share	92.36	107.16	95.37
Return before operating charges*	25.33	(8.08)	18.35
Operating charges	(1.50)	(1.48)	(1.76)
Return after operating charges*	23.83	(9.56)	16.59
Distributions on income shares	(5.67)	(5.24)	(4.80)
Closing net asset value per share	110.52	92.36	107.16
* after direct transaction costs of:	0.25	0.27	0.30
<b>Performance</b>			
Return after charges	25.80%	(8.92)%	17.40%
<b>Other information</b>			
Closing net asset value	£1,154,509	£1,340,312	£1,381,468
Closing number of shares	1,044,575	1,451,219	1,289,111
Operating charges (p.a.)	1.48%	1.38%	1.68%
Direct transaction costs (p.a.)	0.25%	0.25%	0.29%
<b>Prices</b>			
Highest published share price	114.33	116.26	109.96
Lowest published share price	92.19	94.14	94.75

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**TB SARACEN UK INCOME FUND, STATEMENT OF TOTAL RETURN**For the year ended 31 December 2019

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			31.12.19	31.12.18
	Notes	£	£	£
Income				
Net capital gains/(losses)	2		616,248	(455,374)
Revenue	3	185,268		161,446
Expenses	4	(47,377)		(44,630)
Interest payable and similar charges	6	(24)		(12)
Net revenue before taxation		137,867		116,804
Taxation	5	(466)		-
Net revenue after taxation			137,401	116,804
<b>Total return/(loss) before distributions</b>			<b>753,649</b>	<b>(338,570)</b>
Distributions	6		(181,706)	(160,376)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>571,943</b>	<b>(498,946)</b>

Note: All of the Company's and sub-fund's results are derived from continuing operations.

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**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**For the year ended 31 December 2019

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			31.12.19	31.12.18
	Notes	£	£	£
<b>Opening net assets attributable to shareholders</b>			<b>2,999,349</b>	<b>3,123,180</b>
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		516,747		908,208
Amounts payable on cancellation of shares		(673,632)		(622,276)
			(156,885)	285,932
Change in net assets attributable to shareholders from investment activities			571,943	(498,946)
Retained distributions on accumulation shares	6		113,280	89,183
<b>Closing net assets attributable to shareholders</b>			<b>3,527,687</b>	<b>2,999,349</b>

**TB SARACEN UK INCOME FUND, BALANCE SHEET**  
As at 31 December 2019

	Notes	31.12.19 £	31.12.18 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments		3,316,359	2,965,879
<b>Current Assets:</b>			
Debtors	7	28,147	10,070
Cash and bank balances	8	229,472	76,250
<b>Total assets</b>		<b>3,573,978</b>	<b>3,052,199</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable on income shares	6	33,082	41,180
Other creditors	9	13,209	11,670
<b>Total liabilities</b>		<b>46,291</b>	<b>52,850</b>
<b>Net assets attributable to shareholders</b>		<b>3,527,687</b>	<b>2,999,349</b>

**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 Financial Reporting Standards 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and its sub-funds consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence for at least the next 12 months from the approval of these financial statements.

**(b) Functional Currency**

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Company operates.

**(c) Recognition of revenue**

Dividends on holdings, net of any irrecoverable tax, are recognised when the underlying security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

**(d) Treatment of stock dividends**

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

**(e) Treatment of expenses**

All expenses, net of any associated tax effect, are allocated to the capital account with the exception of bank interest and transaction charges relating to the payment of revenue, which are allocated to the revenue account on an accruals basis.

**(f) Allocation of revenue and expenses to multiple share classes**

Any assets or liabilities not attributable to a particular share class are allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

**(g) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%. This is the rate that has been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

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**TB SARACEN UK INCOME FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2019

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**1. Accounting policies (continued)****(h) Distribution policy**

Revenue produced by the Fund's investments accrues six-monthly. At the end of each period, the revenue plus an adjustment for expenses allocated to capital, is accumulated/distributed at the discretion of the Investment Manager as per the prospectus.

**(i) Exchange rates**

Assets and liabilities in overseas currencies at the period end are translated into Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the year are recorded at the rate of exchange on the date of the transaction.

**(j) Financial instruments**

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at closing prices on the balance sheet date, with any gains or losses arising on measurement recognised in the statement of total return. If closing prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the ACD, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

**2. Net capital gains/(losses)**

	31.12.19	31.12.18
	£	£
Non-derivativ e securities	617,064	(454,836)
Currency losses	9	-
Transaction charges	(825)	(538)
<b>Net capital gains/(losses)</b>	<b>616,248</b>	<b>(455,374)</b>

**3. Revenue**

	31.12.19	31.12.18
	£	£
UK franked div idends	162,333	144,566
UK unfranked div idends	15,432	5,301
Ov erseas div idends	7,503	11,579
<b>Total revenue</b>	<b>185,268</b>	<b>161,446</b>

**TB SARACEN UK INCOME FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
As at 31 December 2019

**4. Expenses**

	31.12.19	31.12.18
	£	£
<b>Payable to the ACD, associates of the ACD and agents of either:</b>		
Annual management charge	16,323	16,335
Registration fees	1,217	1,314
Administration fees	9,675	10,380
	<u>27,215</u>	<u>28,029</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either:</b>		
Depositary's fees	6,000	5,967
Safe custody fees	93	59
	<u>6,093</u>	<u>6,026</u>
<b>Other expenses:</b>		
Audit fee	6,822	6,600
Tax fee	2,352	2,280
FCA fee	158	161
Research fees	1,522	1,534
Other expenses	3,215	-
	<u>14,069</u>	<u>10,575</u>
<b>Total expenses</b>	<u><b>47,377</b></u>	<u><b>44,630</b></u>
	31.12.19	31.12.18
	£	£
<b>Fees payable to the company auditor for the audit of the companies annual accounts:</b>		
Total audit fee	<u>6,822</u>	<u>6,600</u>
Total non audit fees - Tax compliance services	<u>2,352</u>	<u>2,280</u>

**TB SARACEN UK INCOME FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
As at 31 December 2019

**5. Taxation**

**(a) Analysis of the charge in the year**

	31.12.19	31.12.18
	£	£
<b>Analysis of charge in the year</b>		
Overseas tax	466	-
<b>Total current tax for the year (see note 5(b))</b>	<b>466</b>	<b>-</b>
Deferred tax (see note 5(c))	-	-
<b>Total taxation for the year</b>	<b>466</b>	<b>-</b>

**(b) Factors affecting the current taxation charge for the year**

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	31.12.19	31.12.18
	£	£
Net revenue before taxation	137,867	116,804
Corporation tax at 20%	27,573	23,361
<b>Effects of:</b>		
Revenue not subject to taxation	(33,967)	(31,229)
Excess expenses for which no relief taken	6,394	7,868
Overseas taxation	466	-
<b>Current tax charge for the year (see note 5(a))</b>	<b>466</b>	<b>-</b>

**(c) Provision for deferred tax**

As at 31 December 2019 the Fund had surplus management expenses of £207,170 (31 December 2018: £175,201). The deferred tax in respect of this would be £41,434 (31 December 2018: £35,040). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year (see note (5a)).

**6. Distributions**

**Distributions and interest**

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

	31.12.19	31.12.18
	£	£
Interim - Income	33,583	32,006
Final - Income	33,082	41,180
	<u>66,665</u>	<u>73,186</u>
Interim - Accumulation	47,602	39,806
Final - Accumulation	65,678	49,377
	<u>113,280</u>	<u>89,183</u>
Add: Revenue deducted on cancellation of shares	11,314	9,116
Deduct: Revenue received on issue of shares	(9,553)	(11,109)
<b>Net distribution for the year</b>	<u><b>181,706</b></u>	<u><b>160,376</b></u>
Interest	24	12
<b>Total finance costs</b>	<u><b>181,730</b></u>	<u><b>160,388</b></u>
<b>Reconciliation to net distribution for the year</b>		
Net revenue after taxation	137,401	116,804
Expenses allocated to capital, net of tax relief	44,296	43,572
Income currency gains/(losses)	9	-
<b>Net distribution for the year</b>	<u><b>181,706</b></u>	<u><b>160,376</b></u>

Details of the distributions per share are set out on page 93.

**TB SARACEN UK INCOME FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
As at 31 December 2019

**7. Debtors**

	31.12.19	31.12.18
	£	£
Amounts receivable for issue of shares	20,427	706
Accrued revenue	7,561	9,324
Prepayments	50	40
Income tax recoverable	109	-
<b>Total debtors</b>	<b>28,147</b>	<b>10,070</b>

**8. Cash and bank balances**

	31.12.19	31.12.18
	£	£
Cash and bank balances	229,472	76,250
<b>Total cash and bank balances</b>	<b>229,472</b>	<b>76,250</b>

**9. Other creditors**

	31.12.19	31.12.18
	£	£
Amounts payable for cancellation of shares	1,008	-
Accrued annual management charge	1,481	1,306
Accrued registration fees	153	98
Accrued administration fees	833	854
Accrued depositary fees	526	510
Accrued custody fees	34	22
Accrued audit fees	6,822	6,600
Accrued tax fees	2,352	2,280
<b>Total creditors</b>	<b>13,209</b>	<b>11,670</b>

**10. Related party transactions**

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions of shares. The monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at 31 December 2019, one shareholder (a nominee account) held shares amounting to approximately 34.2% of the Fund's total net asset value and another shareholder (a nominee account) held shares amounting to approximately 32.5% of the Fund's total net asset value.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the year-end, are fully disclosed in the notes to the Financial Statements.

**11. Share classes**

As at the year-end, the Fund had two share classes. The following table shows a breakdown of the change in shares in issue of each share class in the year:

	<b>B Distribution</b>
Opening shares at the start of the year	1,451,218.689
Total creation of shares in the year	114,516.011
Total cancellation of shares in the year	(521,159.348)
<b>Closing shares at the end of the year</b>	<b>1,044,575.352</b>

  

	<b>B Accumulation</b>
Opening shares at the start of the year	1,493,386.698
Total creation of shares in the year	327,346.364
Total cancellation of shares in the year	(131,342.221)
<b>Closing shares at the end of the year</b>	<b>1,689,390.841</b>

The annual management charge of each share class is as follows:

B Accumulation Shares	0.50% p.a.
B Distribution Shares	0.50% p.a.

The net asset value of each share class, the net asset value per share and the number of shares in each class are given in the Summary of Fund Performance tables on pages 77 and 78. The distribution per share class is given in the distribution table on page 93. All share classes have the same rights on winding up.

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**TB SARACEN UK INCOME FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2019

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**12. Risk management policies**

In pursuing the investment objectives, financial instruments are held, which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the period, are set out below:

**(a) Currency exposures**

The Fund's financial assets are mainly invested in securities whose prices are generally quoted in Sterling. The Fund may also invest in other securities whose prices are quoted in other currencies. As it didn't do so at the year-end, there was no direct currency exposure.

**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

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	<b>Floating rate financial assets £'000</b>	<b>Fixed rate financial assets £'000</b>	<b>Financial assets not interest bearing £'000</b>	<b>Floating rate financial liabilities £'000</b>	<b>Financial liabilities not interest bearing £'000</b>	<b>Total £'000</b>
<b>31.12.19</b>						
Sterling	229	-	3,345	-	(46)	3,528
<b>31.12.18</b>						
Sterling	76	-	2,976	-	(53)	2,999

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Short-term debtors and creditors are included as financial assets and liabilities not bearing interest in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not bearing interest mainly comprise investments that do not have a maturity date.

**12. Risk management policies (continued)****(c) Liquidity risk**

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its net asset value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

**(d) Credit risk**

Credit risk 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 and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

**(e) Market price risk and fair value of financial assets and liabilities**

The Fund's underlying investments are equities quoted on recognised stock exchanges. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share held within an underlying holding or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of equities in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £331,636 (31 December 2018: £296,588). This calculation assumes all other variables remain constant.

**12. Risk management policies (continued)**

**(f) Fair value of financial assets and liabilities**

Valuation technique	INVESTMENT ASSETS	
	31 December 2019	31 December 2018
	£	£
Level 1: Quoted Prices	3,316,359	2,965,879
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	<u>3,316,359</u>	<u>2,965,879</u>

As at the year-end there were no investment liabilities (31 December 2018: £nil). There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

**(g) Commitments on derivatives**

No derivatives were held at the balance sheet date (31 December 2018: £nil).

**TB SARACEN UK INCOME FUND, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2019

**13. 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 securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to the direct transaction cost below, indirect cost are incurred through the bid offer spread. It is not possible for the ACD to quantify these indirect cost. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the year are shown in the table below.

	31.12.19		31.12.18	
	£		£	
<b>Analysis of total purchase costs</b>				
<b>PURCHASES</b>				
Equities	1,150,733		1,848,366	
REIT's	19,129		35,804	
Net purchases before direct transaction cost:	1,169,862		1,884,170	
		<b>% of total</b>		<b>% of total</b>
<b>DIRECT TRANSACTION COSTS</b>		<b>purchases</b>		<b>purchases</b>
Equities	6,708	0.57%	7,566	0.40%
REIT's	135	0.01%	199	0.01%
Total direct transaction costs	6,843	0.58%	7,765	0.41%
<b>Gross purchases total</b>	<b>1,176,705</b>		<b>1,891,935</b>	
<b>Analysis of total sale costs</b>				
<b>SALES</b>				
Equities	1,434,311		1,474,003	
Gross sales before direct transaction costs	1,434,311		1,474,003	
		<b>% of total</b>		<b>% of total</b>
<b>DIRECT TRANSACTION COSTS</b>		<b>sales</b>		<b>sales</b>
Equities	(1,306)	0.09%	(560)	0.04%
Total direct transaction costs	(1,306)	0.09%	(560)	0.04%
<b>Net sales total</b>	<b>1,433,005</b>		<b>1,473,443</b>	
	31.12.19	<b>% of</b>	31.12.18	<b>% of</b>
	£	<b>average NAV</b>	£	<b>average NAV</b>
<b>Analysis of total direct transaction costs</b>				
Equities	8,014	0.25%	8,126	0.29%
REIT's	135	0.00%	199	0.00%
Total direct transaction costs	<b>8,149</b>	<b>0.25%</b>	<b>8,325</b>	<b>0.29%</b>

**13. Transaction costs (continued)****(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 0.72% (31 December 2018: 0.99%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

**14. Capital commitments and contingent liabilities**

The Fund had no capital commitments or contingent liabilities at the balance sheet date. (31 December 2018: £nil).

**15. Going concern**

During the period from the date of the Balance Sheet to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale.

The Fund's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Manager's Investment Review on pages 69 to 72. The Fund has sufficient resources to meet both further investments in portfolio companies and working capital requirements for the foreseeable future. The ACD believes the key risk facing the Fund to be the Fund's ability to cover any potential significant redemptions out of the Fund. However, as the assets of the Fund consist predominantly of readily realisable securities the ACD believes the Fund is well positioned to manage its business risks successfully. In light of this the ACD has a reasonable expectation that the Fund will continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**16. Post balance sheet events**

During the period from the date of the Balance Sheet to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. In accordance with the requirements of FRS 102 the fair valuations at the Balance Sheet date reflect the economic conditions in existence at that date.

Since the Balance Sheet date, the valuation of the quoted investments held has decreased from £3,316,359 to £2,906,840 (17 April 2020).

Subsequent to the year-end, the net asset value per share of each share class has changed as follows:

B Accumulation Shares – Decreased from 140.48 pence per share to 92.74 pence per share (17 April 2020).

B Distribution Shares – Decreased from 110.52 pence per share to 72.88 pence per share (17 April 2020).

There are no post balance sheet events which require adjustments at the year-end.

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**TB SARACEN UK INCOME FUND, DISTRIBUTION TABLE**For the year ended 31 December 2019

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**Interim Distribution (30 June 2019)**

Group 1 - Shares purchased on or prior to 31 December 2018

Group 2 - Shares purchased after 31 December 2018

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Shares	Revenue	Equalisation <sup>1</sup>	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.08.19 (pence)	31.08.18 (pence)
<b>B Distribution</b>				
Group 1	2.5000	-	2.5000	2.4000
Group 2	1.6679	0.8321	2.5000	2.4000
<b>B Accumulation</b>				
Group 1	3.0084	-	3.0084	2.7385
Group 2	0.8691	2.1393	3.0084	2.7385

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**Final Distribution (31 December 2019)**

Group 1 - Shares purchased on or prior to 30 June 2019

Group 2 - Shares purchased after 30 June 2019

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Shares	Revenue	Equalisation <sup>1</sup>	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	28.02.20 (pence)	28.02.19 (pence)
<b>B Distribution</b>				
Group 1	3.1670	-	3.1670	2.8376
Group 2	0.4450	2.7220	3.1670	2.8376
<b>B Accumulation</b>				
Group 1	3.8876	-	3.8876	3.3063
Group 2	1.3731	2.5145	3.8876	3.3063

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<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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## DIRECTORY

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### The Company

TB Saracen Investment Funds ICVC  
19 Rutland Square  
Edinburgh  
EH1 2BB

### Authorised Corporate Director

T. Bailey Fund Services Limited  
64 St. James's Street  
Nottingham  
NG1 6FJ

Tel: 0115 988 8200  
Website: [www.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk)

Authorised and regulated by the Financial  
Conduct Authority.

### Directors of the ACD

Mrs H C Stevens  
Mr G M J Padbury  
Mrs R E Elliott  
Mr R J Taylor (resigned 31 October 2019)  
Mr M Hughes (Non-executive)  
Mrs A Troup (Non-executive)

### Investment Manager

Saracen Fund Managers Limited  
19 Rutland Square  
Edinburgh  
EH1 2BB

Tel: 0131 202 9100  
Website: [www.saracenfundmanagers.com](http://www.saracenfundmanagers.com)

Authorised and regulated by the Financial  
Conduct Authority.

### Depositary

NatWest Trustee & Depositary Services Limited  
135 Bishopsgate  
London  
EC2M 3UR

Authorised and regulated by the Financial  
Conduct Authority and by the Prudential  
Regulation Authority.

### Registrar and Share Dealing

T. Bailey Fund Services Limited  
64 St. James's Street  
Nottingham  
NG1 6FJ

Tel: 0115 988 8200  
Dealing Line: 0115 988 8274

Authorised and regulated by the Financial  
Conduct Authority.

### Auditor

Deloitte LLP  
Four Brindleyplace  
Birmingham  
United Kingdom  
B1 2HZ

Registered to carry out audit work by the  
Institute of Chartered Accountants in England  
and Wales.

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