

CASTLEFIELD FUNDS QUARTERLY

Q4 2024

In this report...

Market commentary

Stewardship


Portfolio Funds update

Fund commentary



THE THOUGHTFUL INVESTOR


MARKET COMMENTARY

 In previous market commentaries, we commented on the large number of elections held in 2024. From an investment perspective, by far the most important of these took place in November in the US, when the Republican Donald Trump triumphed and will return for his second stay in the White House on Monday, 20th January 2025."

In Summary:

- Q4 2024 saw strong performance for US equities, while other markets were a mixed bag.
- Inflation and interest rates remained the biggest concerns for investors.
- Interest rates fell, but not by as much as hoped.
- Donald Trump won the US election convincingly.
- Rachel Reeves' first Budget seen as not business-friendly.
- Shares in "Magnificent Seven" tech companies continued to race away.

This report covers the period from October to December 2024. In previous market commentaries, we commented on the large number of elections held in 2024. From an investment perspective, by far the most important of these took place in November in the US, when the Republican Donald Trump triumphed and will return for his second stay in the White House on Monday, 20th January 2025. In fact, the Grand Old Party enjoyed a clean sweep or "governing trifecta," winning control of both chambers of Congress, the House of Representatives and the Senate. There is much talk of what this could mean for investors and what the "Trump Trade" might be, but that is a

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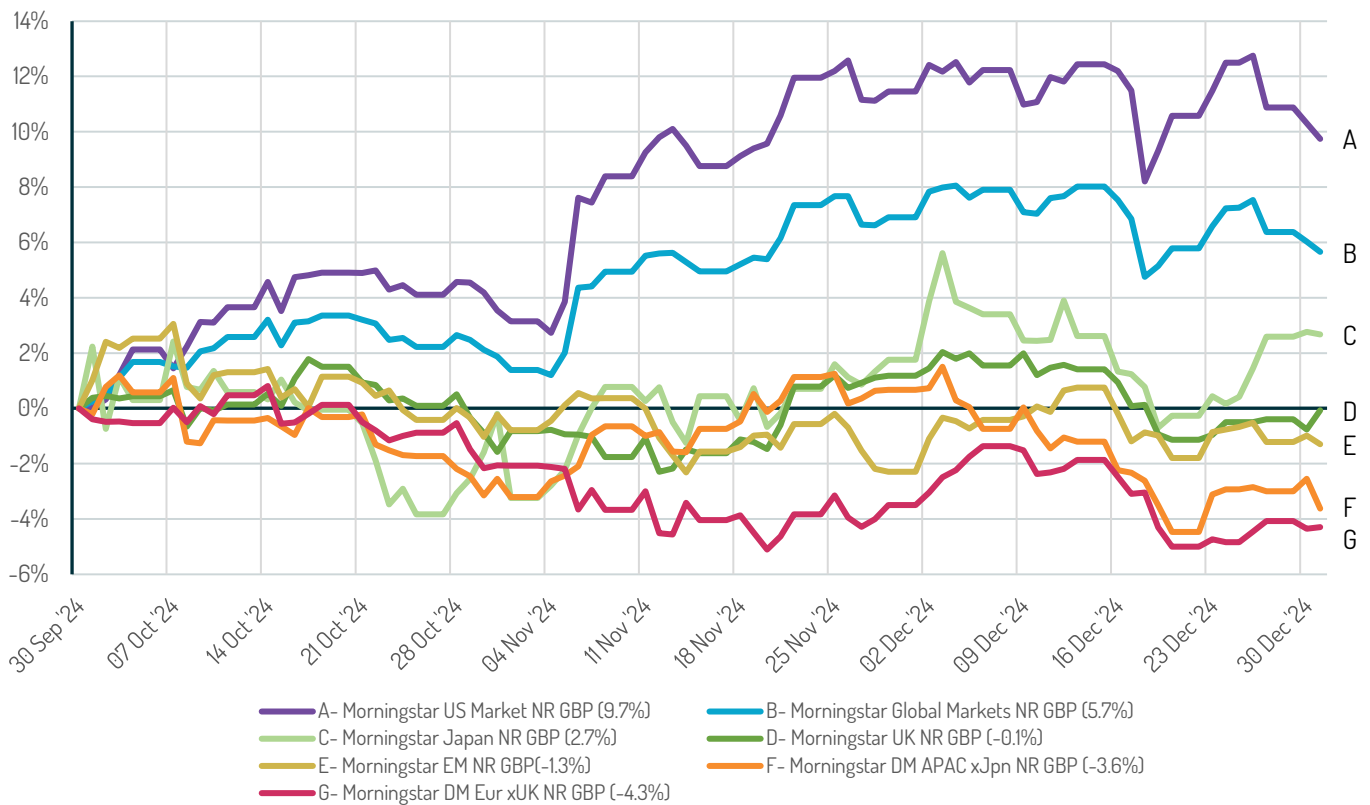
subject for future reports. Other countries such as France, Germany and Japan got themselves into an electoral mess late last year and must

try to resolve their political challenges in 2025. Deadly conflicts continued in Ukraine and Sudan, while they unfortunately broadened out in the Middle East as the Assad regime in Syria collapsed, leaving a worrying void. However, as usual, all this bloodshed did not really affect investment markets where the usual concerns about inflation and interest rates held sway, while oil prices also seemed unaffected, ending the year at around \$74.45 per barrel, lower than they started it and having touched over \$90 a barrel in early April!

Initially, the change of government in Westminster seemed to be welcomed by investors seeking the sense of stability offered by a new regime and many public sector workers are already happier. However, the Chancellor Rachel Reeves's first Budget, announced on October 30th, was not seen as business-friendly, with higher employers' national insurance costs likely to affect the profitability of many companies while pushing up prices. Three consequences of the Budget concerned UK investors: persistent inflation through higher wages, higher-for-longer interest rates and adverse changes to the inheritance tax (IHT) regime around companies listed on the Alternative Investment Market (AIM). AIM shares currently benefit from 100% Business Property Relief (BPR), exempting their

1. <https://oilprice.com/oil-price-charts/>

Index Returns



30/09/2024 - 31/12/2024 Data from Morningstar Direct

full value from IHT, if held for at least two years. There had been much speculation that this relief would be abolished, but a reduced rate of 50% was announced, meaning that IHT will be payable at an effective rate of 20% (rather than 40%) from April 2026. Not as bad as it could have been, but not helpful to an already challenged sector. It is too early to conclude that the Budget has damaged the incentive of the private sector to recruit more staff, but that is something to watch this year.

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After some volatility during Q3, global equity markets settled down as 2024 drew to a close. However, inflation proved to be stubbornly durable in many Western economies and,

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consequently, so did interest rates as central bankers did not see price rises cooling as much as they would have liked. The Bank of England lowered interest rates by 0.25% to 4.75% in November while, in December, the US Federal Reserve took 25 basis points off its federal funds rate and the European Central Bank did the same with its deposit rate. Overall, interest rates did not come down by as much as we expected last year and hopes for several cuts in 2025 have so far been tempered by the reality of inflation staying above government targets.

Almost wholly driven by Artificial Intelligence (AI) related excitement around the so-called "Magnificent Seven" technology companies - Apple, Microsoft, Amazon, Alphabet (Google), Meta (formerly Facebook), Nvidia and Tesla - US equity markets continued to be global outliers in terms of valuation and the S&P 500 hit all-time highs of over 6,000 in December.² There

are well-founded concerns about concentration risk, with the "Mag 7" making up nearly a third of the total market capitalisation of the whole index but the bandwagon rolls on for now.

In China, President Xi announced a very large fiscal stimulus package to revive a faltering economy and support future growth, although the effects of the package are likely to be felt in the coming years rather than immediately.

So what did all this mean for investors? US markets enjoyed another very strong period, especially in November and December, recording a gain of 9.7% over the quarter. Probably indicative of travails in two of its biggest economies, Germany and France, Eurozone markets declined by 4.3% in Q4 last year. The index of all UK-listed shares was marginally down (-0.1%), reflecting stability or stagnation, depending on your point of view. Japan, which faces different challenges to the ones confronting most other developed markets, saw its index of all shares up 2.7% to complete a year of solid progress.

2. https://finance.yahoo.com/quote/%5EGSPC/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAMyRnUxNoakDpYNYhtGjYojFel7h5vpNZgtsJJgTjv6KcC7SFx9dZ4406-cDGUaW5oVsyb6m5GPdbH6Vdcj3DbFkNs6pALS02p68CS9360V9FrZKcR6vD70WjWaeCkIfggGz0XHhu_xHT-28FYOCjstLAAKmhnd0byuw3v6F06j

EXECUTIVE SUMMARY

Our stewardship highlights this quarter include:

MacFarlane

We met with the head of sustainability at **MacFarlane**, a packaging firm held in our Smaller Companies Fund. We discussed the company's Scope 3 emissions as well as its Innovation Lab, which helps corporate clients design new product packaging in ways that are as environmentally as possible.



Gym Group

Having previously engaged with **Gym Group** on the composition of its board of directors, we were pleased to have a call with the new Senior Independent Director (SID). The SID is traditionally a key contact point for investors and we were able to talk to the new SID about our concerns regarding the make-up of the board.

Invinity

We met with the CEO of **Invinity**, a vanadium-flow battery manufacturer, to provide ideas on how to incentivise senior colleagues at a pivotal moment for the business.



Gea Group

We joined an investor call with **Gea Group**, a supplier of equipment and solutions to the food processing industries. They provided an update on plans to decarbonise their own operations as well as to support clients to increase energy efficiency.

Unilever

We noted with interest that **Unilever** announced the sale of its Russian operations in October. We had engaged with the company on this issue at the time of the Russian incursion into Ukraine to understand why the company had not sought a local buyer, unlike so many of its peers.



WHEN ENGAGEMENT REACHES ITS LIMIT: LESSONS FROM OUR UK SMALLER COMPANIES FUND

Written by
David Elton



SUMMARY: Investor engagement often highlights success stories and rightly so. But sometimes an engagement doesn't deliver the desired outcome. Here, we share an example of a longstanding dialogue we had over several years with a company regarding its corporate governance.

Our UK Smaller Companies fund provides a unique perspective on stewardship, as we usually engage directly with senior people in the business. These high-quality dialogues allow us to have candid conversations about areas for improvement. However, investing in smaller companies can also reveal governance challenges. These often stem from legacy practices that predate the company's listing. Two recurring issues we frequently encounter are:

- **Long-standing directors exceeding the recommended nine-year tenure**, which can foster an overly familiar culture and diminish critical challenge.
- **Smaller board sizes**, which limit diversity of thought and perspectives critical for good decision-making.

At one company within the fund, both issues arose and persisted. Over six years, we observed the board shrinking in size and its independence waning. Concerned about the escalating governance risks, we launched an engagement campaign spanning several years.

We voiced our concerns to the company on multiple occasions and raised the matter with the firm's advisers. We also expressed our dissatisfaction with the status quo by voting against the reappointment of certain directors at the AGM. While the company acknowledged the validity of our concerns, they did not take immediate action.

During this time, the company made an acquisition and added a director from the acquired business to its board. While the appointment increased board size and was presented as an improvement, the situation was more complex. The new director was not independent due to a significant shareholding and prior ties to the acquired company. Consequently, the board's overall independence continued to decline.

Given the heightened governance risk, we reduced our holding in the company. Subsequent discussions with management confirmed that no further board changes were planned, nor did the company share our concerns about the risks of a majority non-independent board.

We often hear companies assert that non-independent directors can act independently in practice, but such claims are difficult to substantiate. As fiduciaries, we must rely on verifiable governance standards, not assurances.

Ultimately, our engagement reached its limit. When this happens, we assess whether the status quo is acceptable. In some cases, we can agree to disagree, or even adjust our perspective if compelling justifications exist for governance deviations. However, in this instance, the risks outweighed the potential benefits. We therefore made the rare decision to sell the shares.

To be clear, the investment had performed satisfactorily over the years and there is nothing to suggest that the governance risks are anything but risks at this stage. Ultimately though, we are here to serve our clients. If we can achieve the same returns but with lower risk by investing elsewhere, then that's what we are obliged to do.

We have chosen not to disclose the name of the company in question. We do not believe in "naming and shaming" as a constructive tactic and remain hopeful that we can continue to reflect our views to the board, even post-disinvestment.

Even though the engagement didn't yield the intended results, it was far from futile. The process offered valuable insights into management's thinking, which informed our decision to divest. In stewardship, success isn't always about achieving immediate change. Sometimes, it's about recognising when to walk away in the best interests of our clients while maintaining the door for future dialogue.

UNILEVER EXITS RUSSIA

Written by
Ita McMahon



SUMMARY: We hold Unilever shares in both our UK Opportunities and our European fund. We noted with interest that the company announced the sale of its Russian operations in October 2024. We had engaged with the company on this issue at the time of the Russian invasion of Ukraine to understand why the company had not sought a local buyer, unlike so many of its peers.

At the time of our initial engagement, the company said that it had been unable to find a suitable buyer that would safeguard its 3,000 local staff."

At the time of our initial engagement, the company said that it had been unable to find a suitable buyer that would safeguard its 3,000 local staff. It pointed out that its Russian operations were producing important food and hygiene products, rather than non-essential items and that Russia only represented 2% of global revenue. The company was keen to stress that it was operating under UK sanctions law, whereby the Russian business was ring-fenced from the rest of Unilever's operations. In addition, no profit was repatriated to Unilever's headquarters. We kept a close eye on the situation and followed up with the investor relations team again some months later. Although not an ideal situation, our view was that the company was attempting to work through the issue carefully.

We also recognised that the ubiquitous nature of multinational companies means that, with the ebb and flow of world events, it is inevitable that there will be some exposure to controversial markets at some point. That said, we were uneasy about Unilever's continued presence in the region and, as such, we are supportive of the company's decision to sell its Russian business. Although the company had made a statement denouncing the invasion, its continued presence in Russia made it an outlier amongst its Western peers. In addition to these reputational risks, there was an increasing likelihood of Russian state interference in the business.



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AN UPDATE FROM GEA GROUP

SUMMARY: We hold shares in Gea Group in our European Fund. The company provides equipment and solutions for food processing and pharmaceutical manufacturing. In December, we joined a call with a small number of other investors for an update on the company's progress towards its social and environmental goals.

Gea has set ambitious targets on net zero and on increasing the percentage of revenue that it derives from products with its independently verified Add Better label. The label denotes products and solutions that are 'significantly more resource-efficient than their predecessors'.

The meeting was mainly an information session, where the company talked about:

- High energy costs driving customer demand for efficient processes, which Gea is well-placed to provide. In fact, the company is going further and now provides a consulting service to customers that want to decarbonise their own operations.
- The company's climate transition plan, which includes a EUR 175m investment to decarbonise its sites over the next fifteen years
- Gea's involvement into the world's first cultivated meat production plant in the US.

We took the opportunity to ask some technical questions about its carbon calculations. In particular, we were keen to make sure that any claims about carbon savings derived from the use of Gea products could be clearly evidenced so as to avoid any risk of greenwashing. The company reassured us that it is using newly issued international guidance to underpin its "carbon avoided" calculations.

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In addition, we encouraged Gea to share more widely details about its decarbonisation investment plan and the predicted return on investment more widely. We know that for every corporate leader like Gea, there are many more companies that remain reluctant to make significant investment in low carbon technology. We need more real life examples from companies like Gea, to prove the business case and to demonstrate the return on investment. Gea's representatives were open to this idea and we will follow up with them in due course on this.

Written by
Ita McMahon



DRIVING INCREMENTAL PROGRESS THROUGH CONSISTENT ENGAGEMENT

SUMMARY: Not every engagement with investee companies involves dramatic developments. Often it is ongoing, consistent conversations that are central to how we look to drive change. Below, we highlight two examples of such engagements from this quarter.

Macfarlane Group:

Advancing Climate Ambitions

We held a productive meeting with packaging company Macfarlane's relatively new Head of Sustainability. This conversation followed a conversation we initiated earlier in the year where we conducted targeted engagement with companies that had not established net-zero commitments. During our discussion, we were reassured that the foundations of the company's climate strategy had been established, including extensive baseline work undertaken to better understand its Scope 3 emissions.

We also received an update on key initiatives, including transitioning Macfarlane's truck fleet to more environmentally friendly alternatives and integrating environmental performance metrics into supplier assessments. These steps are encouraging signs of the company's commitment to sustainability. Additionally, Macfarlane's Innovation Lab remains a pivotal resource, fostering customer collaboration and accelerating innovative packaging solutions with sustainability considerations at the fore—a key area of focus and where the company hopes to set itself apart under growing customer pressure.

While the industry still faces significant challenges and change in relation to the sustainability of packaging, it was encouraging to see clear progress and a strategic pathway being developed by the team. Alongside that of the consumer, the importance of encouragement and continued pressure from the investment community to accelerate progress was also emphasised, a role we are committed to fulfilling as a supportive and engaged shareholder.

The Gym Group:

Enhancing Board Independence

Our ongoing engagement with The Gym Group, the low-cost gym provider, around governance and board independence also took another positive step during the quarter. Following prior discussions at the time of the AGM this year, the company got in touch to offer a meeting with the newly appointed Senior Independent Director (SID). This proactive approach from the company underscores the value of our consistent engagement, regardless of investor size.

The meeting focused again on the composition and independence of the board. We were pleased to hear that the company acknowledges the challenges and perceptions surrounding this and is carefully considering its options going forward. This further dialogue provided reassurance that, as well as investor feedback, board independence and governance practices are all being taken seriously.

This engagement is a testament to how companies recognise the importance of engaged shareholders. Even though we are not a top investor in the company, our input is valued, and The Gym Group's outreach highlights the impact of our consistent and constructive efforts over time.

Written by
David Elton



INVINITY REMUNERATION

SUMMARY: We consulted with the vanadium-flow battery manufacturer, Invinity, throughout the year on the topic of remuneration, reviewing their current arrangements and sharing examples of best practice to further improve their own approach and reporting.

Earlier this year, we engaged with Invinity Energy Systems, the Vanadium flow battery manufacturer held within our CFP Castlefield Thoughtful UK Smaller Companies fund. Like many of our engagements, this was initially borne out of the need for further information in order for us to vote at the Annual General Meeting (AGM).

At Castlefield we utilise the services of ISS for Proxy Research, however we also operate our own internal voting guidelines. We believe our approach to stewardship is more thoughtful. However, to achieve this, it requires us to be more engaged with our investee companies, maintaining strong lines of communication to understand fully the activities of management.

“Ahead of the AGM, we had a meeting with the investor relations function at Invinity on the topic of remuneration.”

Ahead of the AGM, we had a meeting with the investor relations function at Invinity on the topic of remuneration. We highlighted that our Proxy Research advisor had recommended voting against the remuneration report because the executive team had been granted nil-cost share options. For context, Invinity is pre-profit, therefore paying out cash bonuses to management as an incentive is not the most appropriate use of funds at this stage of the company's development.

As the name suggests, options provide an opportunity for specific employees to buy company shares at a pre-determined price at a defined point in the future. The issue with Invinity doing this was that other than share price, there were no performance conditions attached to these options, which contravened UK Corporate Governance Code best practice guidelines. The team were very engaged throughout our conversation and vowed to share our feedback with the board.

However, this was not the end of our engagement. A short while after our initial conversation, Invinity requested that we meet with the CEO so that we could provide an investor perspective on their remuneration arrangements. We are always pleased to take part in this kind of dialogue because it provides us with the opportunity to directly influence company strategy. In the meeting, we shared our expectations regarding what we like to see, alongside a number of best practice examples of remuneration

“Work is currently underway to review the way they award and report on their remuneration packages.”

reporting. These suggestions were well received by Invinity, and work is currently underway to review the way they award and report on their remuneration packages. We were very pleased with the outcome from this engagement, and it is a good example of the benefits from speaking directly with our investee companies.

Written by
Barney Timson



VOTING ACTIVITY: Q4 2024

As investors, we believe that we have a responsibility to our clients, as well as the companies that we hold, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the collective funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their stance. We have an in-house set of voting guidelines that we update annually. The guidelines ensure that we vote consistently across all our fund holdings; they are made publicly available on our website, as is our full voting history.

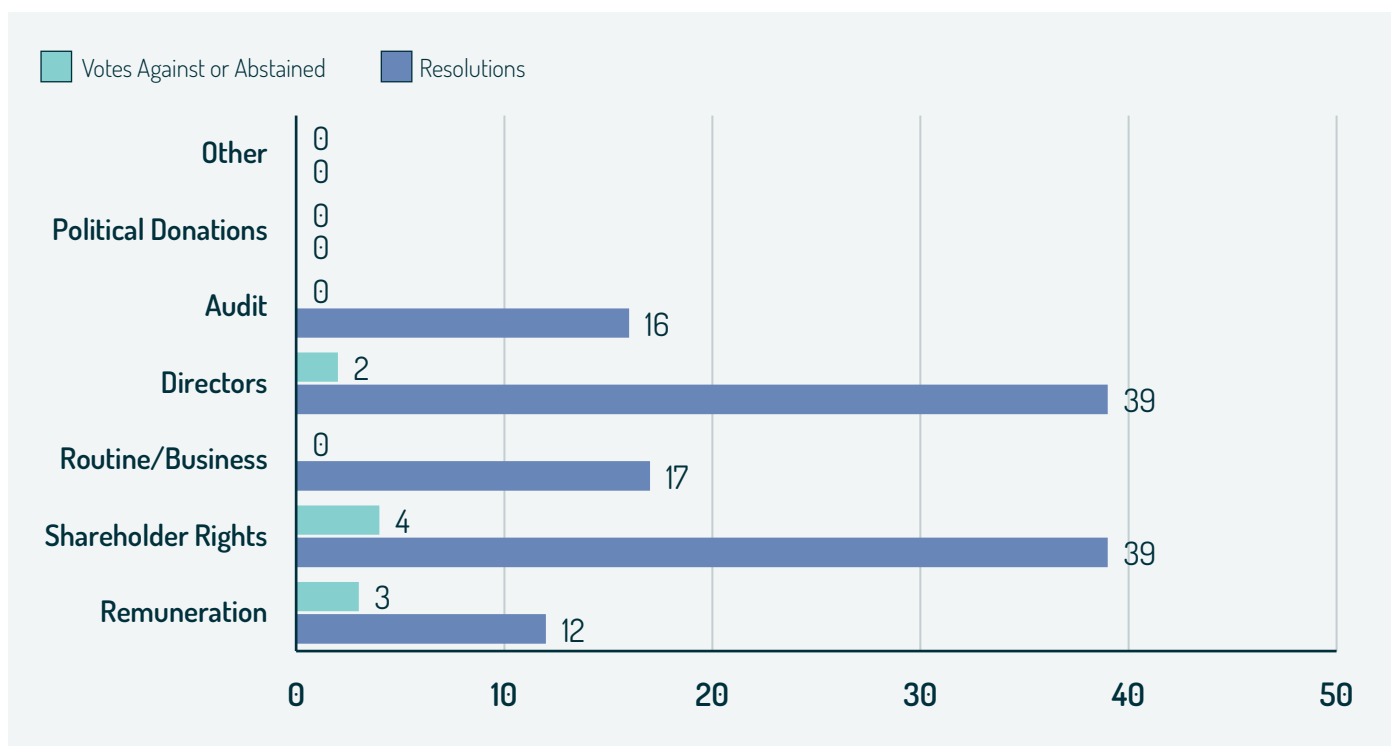
RESOLUTIONS

Number of resolutions where votes were cast For	114	92.7%
Number of resolutions where votes were cast Against	8	6.5%
Number of resolutions where votes were Abstained	1	0.8%

During the quarter, we voted at 14 meetings hosted by our investee companies, with a total of 123. resolutions.

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|--|---|
| 1. REMUNERATION: | We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders. |
| 2. DIRECTOR INDEPENDENCE & EFFECTIVENESS: | Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing. |
| 3. SHAREHOLDER RIGHTS: | This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights. |
| 4. POLITICAL DONATIONS: | We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so. |
| 5. THE AUDIT PROCESS: | Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function. |
| 6. ROUTINE/BUSINESS: | Items in this category include resolutions that are often uncontroversial, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends. |
| 7. OTHER: | This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social and Transparency & Governance (E.S.T.) issues and reporting. |

Resolutions during the quarter by category and how frequently we voted against or abstained:



PORTFOLIO FUNDS: HOLDINGS IN THE SPOTLIGHT...

First Sentier Responsible Listed Infrastructure

The First Sentier Responsible Listed Infrastructure fund invests directly in listed companies globally that can provide or benefit from solutions related to the transition towards a net zero world. The fund forms part of your listed infrastructure exposure and is held in both our Castlefield Thoughtful Portfolio Income and Thoughtful Portfolio Growth funds. The team runs a high conviction strategy, typically holding 40 names, and seeks quality companies with high barriers to entry and pricing power alongside strong environmental and social credentials. Given the long-dated nature of infrastructure, the team takes an equally long-term approach to asset ownership as a way of reducing the potential risk of stranded assets. Capital preservation is a priority, with the team taking a conservative stance to making investment decisions, while strong emphasis is placed upon proprietary research and direct contact with investee companies. The fund's portfolio is varied and includes sectors such as utilities, roads & rail and construction & engineering. The fund has a global mandate although much of the exposure derives from the UK, North America and Australia.

We like the Responsible Listed Infrastructure fund for several reasons. The fund allows us to access an area of the market that we believe is often overlooked. The sector provides strong protection against inflation thanks to the inflation linked cash flows alongside the potential for capital growth. First Sentier is a highly respected fund house with a long track record of strong performance, especially in the infrastructure sector. As the world becomes more focused on the transition towards net zero, there will be strong tailwinds for the environmental infrastructure assets the fund holds.



Foresight Global Real Infrastructure Fund

The Foresight Global Real Infrastructure fund (GRIF) is an open-ended investment company which invests in the publicly traded shares of companies that own or operate critical infrastructure assets which ensure the smooth functioning of economies, and that provide a net social or environmental benefit. These benefits are defined as increasing low-carbon energy capacity, generating low-carbon energy, reducing greenhouse gas emissions through products or business operations, or providing assets that facilitate essential services including transport, healthcare, education, and digital connectivity.

The fund forms part of your listed infrastructure exposure and is held in both our Castlefield Thoughtful Portfolio Income and Thoughtful Portfolio Growth funds. The fund aims to grow by more than 3% per annum above CPI over a rolling five-year period. Foresight runs a high conviction strategy, with the fund typically consisting of between 25-35 separate assets. The team invests in several different asset types including data centres, transportation, wind, and solar power. Investment selection is carried out using a bottom-up approach (i.e., starting by looking at the companies rather than the broader economic picture) and the team favours assets with stable and predictable demand, high barriers to entry and long-term contracted revenue streams. For an asset to be included in the fund, its strategy must align with the ten principles of the UN Global Compact.

We like this fund for several reasons; firstly, it gives us access to an interesting asset class that is often overlooked in the portfolio construction process. Secondly, given the asset class has a low correlation with equities, this makes it a useful portfolio diversifier. The inflation linked contracts of the fund's underlying infrastructure assets help to hedge against inflation and offer regular income whilst simultaneously providing the opportunity of capital appreciation. The focus on assets which provide a net social or environmental benefit differentiates it from other infrastructure offerings and will allow the team to benefit from structural tailwinds as governments globally become increasingly more conscious of their climate commitments and the infrastructure required to meet them.



SAP

SAP is a German-listed, multinational software business with over 107,000 employees across offices in 130 different countries. SAP develops enterprise software to manage business operation and customer relations, database software and cloud-engineered systems, across a variety of industries. SAP is Germany's largest company and one of the largest in Europe, operating 57 data centres across 32 locations in 15 countries.

SAP was formed by five former IBM employees in the 1970s, who had been working together to create software which integrated business processes and made data available in real time. When IBM told them that this project would no longer be necessary, they decided to form their own company. This decision ultimately proved to be highly fruitful, with SAP generating €31billion of revenues in 2023 through its approximately 269 million cloud users, more than 100 solutions covering all business functions, and by having the largest cloud portfolio of any provider.

The software created by SAP allows for the storage of operational data in a centralised database, which makes it easier for employees from different business functions to access each other's data. This prevents the duplication of data, which increases IT storage costs and also reduces the risk of errors. This data can then be analysed, providing useful insights which can help to boost profitability.

We are long term holders of SAP in our Castlefield Thoughtful European fund, which forms part of your global equity exposure. We are encouraged about the future of the company, given the strong structural tailwinds supporting the sector. SAP offers choice across the four largest hyperscale cloud vendors and their integrated applications connect all elements of a business into an easily digestible digital platform.



GB Group

GB Group is a UK-listed, multinational software company headquartered in Chester, which helps organisations to validate and verify the identity and location of their customers, and to root out fraudsters. GB's solutions cover the full customer lifecycle from onboarding new clients to the ongoing monitoring of activity. GB's services include biometric and other forms of authentication, address capture & validation, fraud screening, monitoring & investigation, data & document verification and anti-money laundering screening.

GB Group benefits from some strong structural tailwinds as society increasingly becomes cashless, and e-commerce continues to grow. Criminals are becoming increasingly sophisticated in their methods of carrying out fraud, and statistics point towards a growing trend in cyber-related fraud each year. Given this threat, there is a strong demand for products which can help to mitigate these concerns. The paradox however is that clients do not want to spend endless amounts of time filling out forms and given the emergence of e-commerce, have grown accustomed to accessing things almost immediately. Software therefore must provide a frictionless experience whilst also being simple and safe.

GB Group is held in our Castlefield Thoughtful UK Smaller Companies fund and our Castlefield Thoughtful UK Opportunities fund, which form part of your global equity exposure. We are long term holders of GB group, and we remain supportive, given the strong sectoral tailwinds and essential services they provide.

SPOTLIGHT ON THE PORTFOLIO FUNDS - OUTLOOK

CFP Castlefield Thoughtful Portfolio Growth Fund

As we close the books on 2024, we look forward to seeing what the new year will bring. While modest expectations for equity markets has not been a profitable outlook for the last two years, as benchmarks climb ever higher, it's increasingly unlikely that we will see a similar performance for a third consecutive year. The S&P500, the growth engine for global equities for over a decade now, delivered its fourth >20% return in the past six years in 2024. Had 2020 not resulted in a paltry +18.4%, we'd be able to claim five of six.

That a market has gone up a lot, per se, is often a poor catalyst for it to come back down. Without a real-world catalyst – by real world we mean a recession or other adverse economic shock – it rarely pays to bet against equity markets. While markets and expectations are at historic highs, let's examine the catalysts that could take them further.

Fiscal and monetary policy are working hand-in-glove to support the economy. For around a decade, the mantra echoing around markets was to not fight the Fed. The idea that the issuer of the mighty US Dollar, with its theoretically unlimited balance sheet, could not be beaten by even the most pessimistic of capital markets participants. That is until another stalwart of the US policy establishment accepted the challenge; enter the US Treasury Department. When monetary policy went into reverse in 2022 in order to try and tame the generationally-high inflation that an unprecedented global pandemic brought about, Treasury Secretary Janet Yellen's 'Modern Supply Side Economics' stamped firmly on the economic accelerator just as Fed. Chair Jerome Powell was cautiously applying the brakes. To the surprise of many, recession was averted and economic activity accelerated. As we closed 2023, the Fed felt sufficiently confident that inflation was, if not controlled, controllable. 2024 saw financial conditions ease gradually, right up until we saw the Fed's inaugural 50bps rate cut in September. With 100bps of rate cuts now under our belts, a continued tapering and expected secession of quantitative tightening, and Governments globally running huge public sector deficits, there's a lot of stimulative pressure to fight.

Outside of the realms of policy, innovation abounds. Briefly the world's largest company, NVIDIA has become a household name and a bellwether for Artificial Intelligence (AI). Globally, a great many new and existing companies are working hard to integrate new ways of working with the

expectation that meaningful productivity gains will follow. Whilst spending vast sums in the process, it's worth noting. Productivity is, of course, the key driver behind real economic growth. Should new technologies and ways of working live up to their promises, the real growth expected in stock market valuations may very well come to pass.

While optimism is a helpful disposition in the realm of investing, it is important that we are attuned to the clouds on the horizon. Policy globally is currently positioned to play a supportive role for investment markets, this can – and to some extent is expected to – change. Government fiscal budgets are stretched to extremes. Many policy commentators, both within institutions and without, have passed judgement of the unsustainable nature of government spending. Anecdotally, we're seeing French yields climb above those enjoyed by Greece, the central protagonist of the EuroZone debt crisis of the last decade. For how much longer government spending can be relied upon to drive growth is unclear. Equally, monetary policy is facing its own set of constraints. For more detail here, I'd encourage readers to review the outlook for the Castlefield Thoughtful Portfolio Income Fund.

Again, lifting our gaze beyond policy, valuations in the very high-quality companies that we seek to own are once again looking challenging. While not necessarily a sale catalyst, high starting valuations have a history of resulting in lower forward-looking return expectations and outcomes. Simultaneously, a level of government profligacy across the developed world has pushed yields on longer-term debt to historically attractive levels. The opportunity cost for owning bonds is now as low as it has been in decades.

Whatever future state of the world comes to pass over the next 12 months, we'd do well to remember – and to remind Castlefield clients – that any one 12-month outlook is of relatively little value across a full investment time horizon. Our focus on owning the best listed companies we can find, while avoiding overpaying for their shares, is the simple recipe we continue to employ to deliver long-term investment success.

CFP Castlefield Thoughtful Portfolio Income Fund

For several years now we've seen interest rates – both short-term 'policy' rates and longer-term 'market' rates – grind higher. This began gradually, though accelerated meaningfully as the world faced levels of inflation not seen since the early '80s. The journey to higher interest rates has been a tough one for traditional income-producing assets and, by association, income-seeking investors.

From this point looking forward, however, the outlook is much rosier. Fixed income investments have a famously asymmetric return profile; one's income and return potential is fixed (hence, fixed income), whereas one's risk profile is total (i.e. the issuer defaults). This is also true in other dimensions. One mathematical truism about fixed income is that the higher yields go, the less sensitive to changes in yields bonds become.

The bond math to support this is an unnecessary addition. The implications, however, are important. Suffice to say that looking at today relative to recent history, fixed income as an asset class is poised to deliver higher nominal (before considering inflation) returns, higher real (after considering inflation) returns, all with notably lower volatility (a useful though imperfect proxy for risk). This starting point has implications for other income generating assets, such as real estate and infrastructure. Now that much of the pain associated with falling prices has passed, the elevated return potential looks increasingly attractive.

While this outlook sounds rosy, there are always risks. One very real risk is that we are not yet finished with this world of higher interest rates. With governments across the globe continuing to flood the market with ever more sovereign debt, the capacity for private investors – absent the actions of accommodative central banks – to absorb this issuance is becoming increasingly stretched. While there is plenty of cash still on the sidelines, or in other assets such as equities, higher yields may be needed to motivate the switch. Large and increasingly expensive deficits are, however, an aberration. While nature may abhor a vacuum, economics abhors an imbalance. Though it can take time for large imbalances in our increasingly globalised world economy to be resolved, a resolution is inevitable. The risk to income investors is that it is inflation that becomes the release valve.

This leads neatly onto policy. Markets have been mildly surprised by central bank policy making in recent years. Concerns around too much tightening, too quickly, trade places with concerns that too little is being done, with control over inflation being sacrificed to secure jobs and deliver growth. While we talked to the constraints around continued fiscal policy support in the Castlefield Thoughtful Portfolio Growth Fund outlook, the obvious constraint around further monetary policy support remains inflation. Though good progress has been made here, to parrot many developed market central bankers, the problem is not yet solved. We've long held that the eradication of the 'last mile', or last one percent, of excess inflation would be the hardest. Quick wins came from a slowly deflating Chinese economy, with goods deflation masking very real challenges in domestic inflationary pressures, such as shelter and services.

We await what 2025 promises to bring, though investors will be pleased to be paid a relatively handsome income while we do so.



While this outlook sounds rosy, there are always risks. One very real risk is that we are not yet finished with this world of higher interest rates."

FUND COMMENTARY

CFP Castlefield Thoughtful Portfolio Growth Fund

Key Information

Fund Size:	£82.06M
Investment Association Sector	Mixed Investment 40-85% shares
Launch Date:	1 st February 2018
Managers:	Callum Wells
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



■ A - IA Mixed Investment 40-85% Shares [24.05%]

■ B - CFP Castlefield Thoughtful Portfolio Growth G Income [9.50%]

Source: 31/12/2019 - 31/12/2024. Data from Morningstar Direct*

*Please note that the performance data is based upon the closing price at the end of the previous month. This may mean the performance date range starts the day prior to the launch of the fund.

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-1.02	-0.79	1.18	2.64	-7.26	9.50
Sector	-1.14	1.16	2.80	8.88	5.72	24.05

Discrete Performance (%)

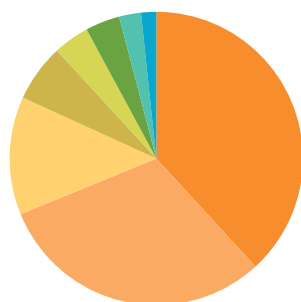
	2024	2023	2022	2021	2020
Fund	2.64	2.85	-12.14	13.63	3.91
Sector	8.88	8.10	-10.18	11.22	5.50

Source: Morningstar Direct

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Global Equity, 38.18%
- UK Equity, 30.62%
- Fixed Income, 13.01%
- Alternative, 6.35%
- Real Estate Investment, 3.96%
- Renewable Energy, 3.80%
- Infrastructure, 2.41%
- Cash, 1.67%



Top 10 Holdings

	%
1 SARASIN RESPONSIBLE GLOBAL EQUITY FUND	14.65
2 CASTLEFIELD THOUGHTFUL UK OPPORTUNITIES FUND	12.06
3 CASTLEFIELD THOUGHTFUL UK SMALLER COM FUND	11.08
4 FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	9.79
5 LIONTRUST SUSTAINABLE FUTURE ICVC UK ETHIC FUND	7.48
6 LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	7.03
7 CASTLEFIELD THOUGHTFUL EUROPEAN FUND	6.71
8 CASTLEFIELD REAL RETURN FUND	5.45
9 ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	4.87
10 RATHBONE ETHICAL BOND FUND	4.84

Fund Commentary

Performance across the fourth quarter was disappointing, with negative absolute returns notably behind peers. Returns were mixed, with a spread of performance within and between asset classes. The CFP Castlefield Thoughtful Portfolio Growth Fund returned -0.79% (General share class) in the third quarter of 2024, versus +1.16% for its peer group. The CFP Castlefield Fund predominately owns assets focused on delivering capital growth, however, it also owns a number of income-generating assets. These assets are covered in greater detail in our overview of the Portfolio Income Fund.

In a quarterly performance volte face, UK equities trailed their global counterparts as Sterling weakened meaningfully. The standout event of the quarter was the US presidential election. The return of Donald Trump to the White House was largely seen as business friendly, with America Inc the principal beneficiary. The "Trump Trade" has so far been seen as reflationary, with growth and inflation expectations lifted. Key beneficiaries tend to be more cyclical sectors, such as financials, commodities and natural resources. The fund's structural underweight to these sectors explains a meaningful part of this quarter's underperformance. Much of the rest is explained by the fund's relatively large allocation to UK assets. The resurgence in inflation expectations saw the Dollar strengthen in anticipation of coincident, higher US interest rates.

Domestically, the quarter was dominated by our new Chancellor's inaugural budget. While the tax burden was expected to fall somewhere, the exact nature of that burden came as an unwelcome hit to many businesses, particularly those with large labour forces. Early Sterling strength in the quarter was a direct response to UK's own inflationary political event, with price pressures expected to be two-fold; a pass through of higher labour costs to consumers and a hollowing-out of domestic productive capacity as business investment is stifled. Bank of England Governor Andrew Bailey has already indicated that the path to lower UK interest rates is likely to be longer and more gradual than it had been previously anticipated to be.

Again, closing with emerging markets, headlines were made as Chinese sovereign yields plumbed new lows in the face of incredibly weak domestic price pressures. While the portfolio has little direct exposure to Chinese capital markets, the influence on global markets is profound. What progress Western markets have made on inflation has been supported by the deflationary impulses delivered by Chinese manufacturers. Simultaneously, the broader global manufacturing base has had to contend with an increasingly challenging competitive environment as a consequence of Chinese overcapacity.

There were no substantive changes to the portfolio this quarter.

Source: Castlefield, Factset

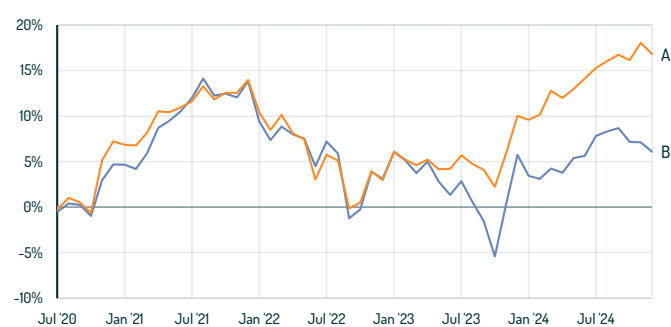
FUND COMMENTARY

CFP Castlefield Thoughtful Portfolio Income Fund

Key Information

Fund Size:	£12.40M
Investment Association Sector	Mixed Investment 20-60% shares
Launch Date:	6 th July 2020
Managers:	Callum Wells
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



■ A - IA Mixed Investment 20-60% Shares TR in GB [16.80%]
 ■ B - CFP Castlefield Thoughtful Portfolio Income G Income [6.10%]

Source: 05/07/2020 - 31/12/2024. Data from Morningstar Direct*

*Please note that the performance data is based upon the closing price at the end of the previous day. This may mean the performance date range starts the day prior to the launch of the fund.

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	Since Launch
Fund	-0.97	-2.39	0.41	0.31	-6.79	6.10
Sector	-1.04	0.06	2.37	6.18	2.49	16.80

Discrete Performance (%)

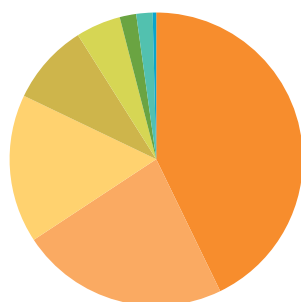
	2024	2023	2022	2021	2020
Fund	0.31	2.53	-9.38	8.71	-
Sector	6.18	6.86	-9.67	6.31	-

Source: Morningstar Direct

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Fixed Income, 42.81%
- UK Equity, 22.92%
- Global Equity, 16.38%
- Renewable Energy, 8.93%
- Infrastructure, 4.95%
- Real Estate Investment, 1.82%
- Cash, 1.80%
- Alternative, 0.39%



Top 10 Holdings

	%
1 CASTLEFIELD THOUGHTFUL UK OPPORTUNITIES FUND	17.72
2 ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	13.40
3 RATHBONE ETHICAL BOND FUND INSTITUTIONAL INC	13.31
4 EDENTREE RESPONSIBLE AND SUSTAINABLE STERLING BOND FUND	8.92
5 SARASIN RESPONSIBLE GLOBAL EQUITY FUND	5.44
6 FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	4.24
7 CASTLEFIELD THOUGHTFUL EUROPEAN FUND	4.01
8 CASTLEFIELD THOUGHTFUL UK SMALLER COM FUND	2.96
9 LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	2.69
10 GREENCOAT UK WIND PLC	2.56

Fund Commentary

Performance across the fourth quarter was disappointing, with negative absolute returns notably behind peers. Returns were mixed, with a spread of performance within and between asset classes. The CFP Castlefield Thoughtful Portfolio Income Fund returned -2.39% in the third quarter of 2024, versus +0.06% for its peer group. Much of the relative underperformance can be explained by the fund's large allocation to domestic UK Equity within the portfolio's growth-oriented investments. The Portfolio Income Fund predominately owns stable, income-generating assets, but it also owns a number of more growth-oriented investments. These assets are covered in greater detail in our overview of the Portfolio Growth Fund.

Aside from the well-covered US presidential election, the pertinent news for income-generating assets came late in the quarter; the US Federal Reserve's final Board of Governors meeting of 2024. In a strong quarter for risk assets, one notable stumbling block was the rhetoric emanating from the US central bank. Taken by markets to be both too hawkish and not hawkish enough, the Fed's decision to cut interest rates despite sufficient progress on inflation prompted US Government bond holders to increase their expectations for future inflation and adjust their return expectations accordingly. Yields were pushed higher (and conversely, prices pushed lower) as bond markets expressed their displeasure.

While fixed income assets typically struggle in a rising-rate environment, most of the portfolio's traditional bond investments fared quite well. This is a combination of naturally higher starting yields (most in excess of 5%, giving a comfortable monthly return cushion, all else equal) and the maturity profile of the bonds that the fund owns. Those bonds focused on shorter maturities, which the fund favours, suffered far less downward pricing pressure than those focused on longer-dated maturities.

Where the fund suffered was in its large allocation to infrastructure assets, which function as quasi-long-duration bonds. As market inflation expectations became increasingly 'unanchored', required yields for long-duration assets climbed rapidly. Operationally, these assets continue to perform perfectly well, delivering meaningful income streams that are well covered by underlying earnings. What's changed, however, is that rising yields have pushed the market to reevaluate what it considers to be a meaningful income stream, with investors increasingly demanding more.

There were no substantive changes in portfolio allocations over the quarter.

Source: Castlefield, Factset

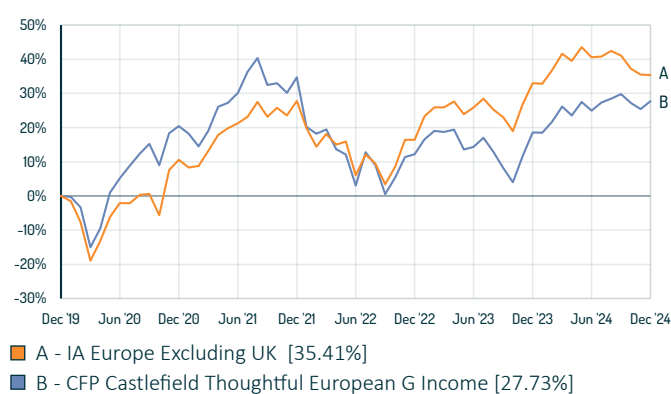
FUND COMMENTARY

CFP Castlefield Thoughtful European Fund

Key Information

Fund Size:	£22.68M
Investment Association Sector	Europe (ex-UK)
Launch Date:	1 st November 2017
Manager:	James Buckley
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)



Source: 31/12/2019 - 31/12/2024. Data from Morningstar Direct*

* Please note that the performance data is based upon the closing price at the end of the previous month. This may mean the performance date range starts the day prior to the launch of the fund.

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	1.85	-1.61	2.19	7.69	-5.18	27.73
Sector	-0.07	-4.02	-3.66	1.79	5.94	35.41

Discrete Performance (%)

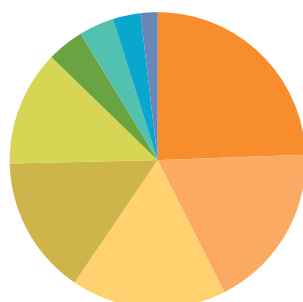
	2024	2023	2022	2021	2020
Fund	7.69	5.68	-16.68	11.85	20.42
Sector	1.79	14.25	-9.02	15.76	10.28

Source: Morningstar Direct

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Financials, 24.42%
- Technology, 18.13%
- Industrials, 16.95%
- Healthcare Equipment, 15.13%
- Consumer Goods, 12.63%
- Consumer Services, 4.03%
- Food Producers, 3.83%
- Travel & Leisure, 3.03%
- Cash, 1.85%



Top 10 Holdings

	%
1 CAIRN HOMES PLC ORD EURO.	6.89
2 SCHNEIDER ELECTRIC SA	6.64
3 SAP SE	6.07
4 UNICREDIT	5.98
5 ASML HOLDING	5.93
6 PARTNERS GROUP	4.92
7 SANOFI SA	4.83
8 ALLIANZ SE NPV(REGD)(VINK	4.72
9 SCOUT 24	4.03
10 GEA GROUP	3.83

Fund Commentary

European equity markets incurred modest declines in the fourth quarter, although for 2024 as a whole they enjoyed small single-digit positive returns in aggregate, with underlying performance by country diverging significantly. The French equity market was impacted by domestic political turmoil, as well as its heavy weighting in luxury goods names, which suffered from a downturn in Chinese demand. Conversely, German equities shrugged off German political uncertainty, with the benchmark index reaching record highs in December, driven by large-cap names like SAP. The fund performed strongly over the quarter in relative terms, declining 1.6% against a larger fall of 4.0% for the sector peer group. Full-year 2024 returns for the fund were also strong, both absolute and relative, gaining 7.7% versus 1.8% for the peer group.

Irish homebuilder, Cairn, which was purchased at the beginning of Q4 2023 and is one of the largest holdings in the portfolio, was again the biggest positive contributor to performance as underlying trading conditions remain favourable. As highlighted above, software giant, SAP helped drive the German market higher as demand for its cloud-based computing solutions accelerates, whilst other strong performers included 2024 purchase, Dalata Hotels, which continues to expand in Dublin and the UK, and wealth manager, Julius Baer, which appears to be putting a problematic 2023 behind it.

Amongst the biggest detractors were wind turbine maker, Vestas Wind Systems, which suffered from a challenging operational environment and negative sentiment after the US election result, whilst Dutch tech hardware name, ASML, continued to give back much of the strong performance it had enjoyed in the first half of the year. The fund also benefitted from not holding Danish healthcare group, Novo Nordisk, which had a sharp fall in late December due to disappointment over trial results for one of its weight-loss products. Conversely, the fund's policy of not investing in the aerospace & defence sector was a detractor to performance, as defence stocks in particular performed strongly. There were no major purchases or disposals during the quarter.

Whilst there is a degree of political uncertainty, both domestically and in relation to the incoming US administration's trade policies, European equities continue to offer reasonable value, relative to both their own history and particularly when compared to US equity markets. The European Central Bank is expected to continue to cut interest rates in 2025, given the sluggish economic outlook, which should provide support to European stock markets and the broader economy.

On 1st September 2023, James Buckley joined Castlefield Investment Partners. James, who spent almost fifteen years managing European equity funds at Barings, assumed lead responsibility for managing the Castlefield Thoughtful European Fund at the end of September 2023 and made some significant changes to the fund's holdings. The existing industry exclusions remain unchanged.

Source: Castlefield, Factset

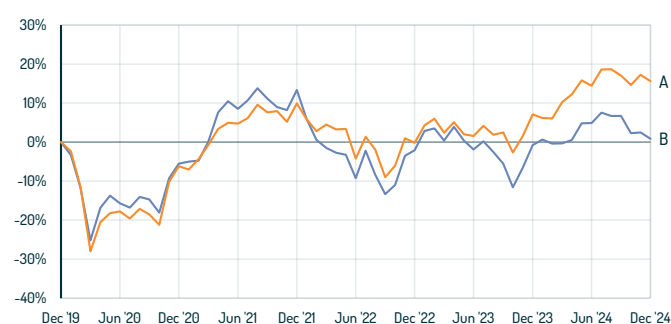
FUND COMMENTARY

CFP Castlefield Thoughtful UK Opportunities Fund

Key Information

Fund Size:	£40.83M
Investment Association Sector	UK All Companies
Launch Date:	1 st June 2007
Manager:	Mark Elliott
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



■ A - IA UK All Companies [15.62%]

■ B - CFP Castlefield Thoughtful UK Opportunities G Income [0.86%]

Source: 31/12/2019 - 31/12/2024. Data from Morningstar Direct*

* Please note that the performance data is based upon the closing price at the end of the previous month. This may mean the performance date range starts the day prior to the launch of the fund.

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-1.57	-5.45	-3.85	1.67	-11.00	0.86
Sector	-1.39	-1.24	1.02	7.95	5.19	15.62

Discrete Performance (%)

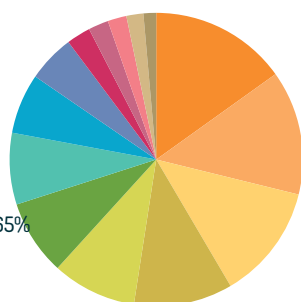
	2024	2023	2022	2021	2020
Fund	1.67	1.29	-13.59	19.96	-5.53
Sector	7.95	7.35	-9.23	17.14	-6.17

Source: Morningstar Direct

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Healthcare, 15.11%
- Industrials, 13.73%
- Consumer Goods, 12.70%
- Financials, 10.90%
- Consumer Services, 9.31%
- Media, 8.29%
- Support Services, 7.89%
- Technology, 6.64%
- Telecommunications, 5.21%
- Software and Computer Services, 2.65%
- Construction and Materials, 2.22%
- Cash, 2.08%
- Real Estate Investment Trusts, 1.87%
- Chemicals, 1.40%



Top 10 Holdings

	%
1 RELX	8.29
2 ASTRAZENECA PLC	7.42
3 EXPERIAN	6.53
4 UNILEVER PLC	6.08
5 HIKMA PHARMACEUTICALS	4.60
6 INTERTEK GROUP	4.54
7 CITY OF LONDON INV	3.90
8 LANCASHIRE HOLDINGS	3.82
9 BRITVIC	3.76
10 GAMMA COMMUNICATIONS	3.76

Fund Commentary

UK equity market returns were subdued in the final quarter of the year. The first Budget from the newly formed Labour government weighed on business confidence, with much speculation in the run up to the announcement of how the incoming administration would deal with the position that had been inherited. The desire to address the funding gap with a single dose of fiscal "medicine" and try and avoid an unpopular sequence of tax increases or spending cuts resulted in a substantial increases in business taxes, notably Employers National Insurance contributions. In anticipation of some form of tax increases, both business and consumer confidence weakened ahead of the end-October budget resulting in slower economic activity and weaker investor sentiment. The fund returned -5.45% in the quarter compared to the wider sector which fell -1.24%.

The greater allocation within the fund to medium and smaller-sized businesses meant that concerns over a slower domestic economy and pressure on company wage bills was felt to a greater extent. Holdings within the fund that fared less well in this economic environment included those in the buildings materials sector such as Genuit, a manufacturer and distributor of plumbing supplies and Zotefoams, a manufacturer of lightweight foams used in packaging and transport. In addition, one of the measures potentially available to the Government to increase tax revenues was a change to the tax treatment of holdings in AIM-listed businesses when they form part of an individual's estate. The actual outcome from the budget included changes to applicable rates rather than wholesale revision to the eligibility of AIM-listed shares. This means they retain preferential treatment over most other assets, nevertheless many individuals moved to sell down some of their holdings pre-emptively ahead of the budget. This, and the subsequent reluctance of buyers to step back into the market caused AIM shares to underperform, falling -2.3% and this had a further drag on the portfolio return in the period. Many of these holdings are themselves resilient in these market conditions such as financial advisory group Begbies Traynor or virtual telecoms group Gamma Communications, so we remain positive on the underlying prospects for these businesses.

Looking to the coming year, we expect inflationary pressures to pick up with the prospect of the incoming US administration implementing a range of policy measures such as tariffs or tighter immigration controls that are likely to result in increasing inflation globally. We continue to see companies with higher margins and pricing power as faring better as 2025 unfolds.

Source: Castlefield, Factset

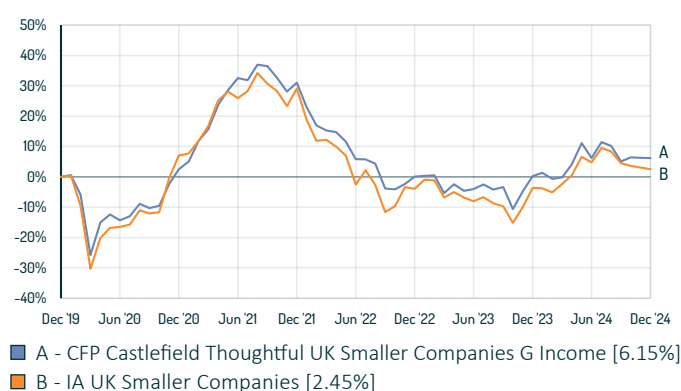
FUND COMMENTARY

CFP Castlefield Thoughtful UK Smaller Companies Fund

Key Information

Fund Size:	£37.59M
Investment Association Sector	UK Smaller Companies
Launch Date:	1 st June 2007
Manager:	David Elton
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)



Source: 31/12/2019 - 31/12/2024. Data from Morningstar Direct*

* Please note that the performance data is based upon the closing price at the end of the previous month. This may mean the performance date range starts the day prior to the launch of the fund.

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-0.12	1.03	-0.05	5.88	-18.98	6.15
Sector	-0.62	-1.93	-2.16	6.30	-20.63	2.45

Discrete Performance (%)

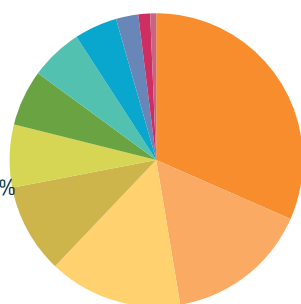
	2024	2023	2022	2021	2020
Fund	5.88	0.17	-23.61	27.83	2.49
Sector	6.30	0.37	-25.61	20.64	7.00

Source: Morningstar Direct

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

Industrials, 31.59%
Health Care, 15.79%
Technology, 14.73%
Consumer Services, 9.86%
Utilities, 6.93%
Chemicals, 6.17%
Software & Computer Services, 5.79%
Financials, 4.72%
Cash, 2.46%
Consumer Goods, 1.30%
Support Services, 0.66%



Top 10 Holdings

	%
1 THE GYM GROUP PLC	5.02
2 MPAC GROUP PLC	4.99
3 ANIMALCARE GROUP PLC	3.99
4 PORVAIR PLC	3.97
5 ALUMASC GROUP PLC	3.96
6 RENEWI PLC	3.76
7 WILMINGTON PLC	3.68
8 TREATT PLC	3.65
9 ECKOH	3.53
10 GOOD ENERGY GROUP PLC	3.17

Fund Commentary

The Fund outperformed the sector during the quarter, delivering a total return of +1.03% compared to -1.93%.

The three biggest positive contributors to performance were Mpac (+36.14%), Good Energy (+44.51%) and Renewi (+26.80%). Mpac, the packaging automation group, completed two acquisitions, further strengthening its market position and customer proposition. The renewable energy supplier Good Energy and waste-to-product company Renewi both received potential takeover bids. Good Energy's approach came from energy technology business Esyasoft, although no price was disclosed. The bid for Renewi's came from Macquarie's asset management business. Macquarie tried to buy Renewi in 2023, but that bid was rejected. The latest offer was for a higher price and the Renewi board is likely to recommend shareholders accept a firm offer. Takeover approaches like this highlight again how attractive UK small caps are, both to trade buyers and private equity.

The largest detractors to performance were Impax Asset Management (-34.66%), Zotefoams (-25.00%), and Foresight (-20.96%). Zotefoams, a global leader in cellular materials technology, provided a positive trading update, but investors were disappointed by the news that the company has paused investment in its cutting edge ReZorce circular packaging technology, citing difficulties in securing a strategic partner. The share prices of our two asset managers, Impax and Foresight, endured a tough quarter. Impax posted solid full year results, with net outflows largely offset by investment performance and acquisitions, but it also announced the loss of a significant client mandate post-period end. At Foresight, higher interest rates negatively affected sentiment, despite encouraging interim results.

The two main transactions during the quarter were new investments in Microlise, a transport management software provider and XP Power, a critical power control supplier. Microlise's products automate and optimise processes for the logistics industry, such as scheduling, routing and driver performance monitoring, all of which help lower costs, enhance safety and reduce emissions for major fleet operators. We like the company because of its leading market share, long-term growth runway and opportunity to improve margins. XP Power designs and manufactures high-performance power control components for critical applications in healthcare, industrial and technology sectors. The company had faced growth challenges due to destocking in key end markets and ongoing supply chain disruptions but its latest market update showed that order intake returned to growth, while debt levels are improving and cost actions have been implemented. Although the timing of any further recovery remains uncertain, the current valuation looks attractive.

Source: Castlefield, Factset

MEET THE TEAM



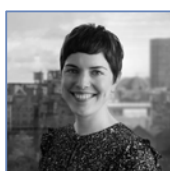
Barney Timson
BSc (Hons), MSc, IMC
Assistant Investment Analyst



Callum Wells
Chartered FCSI, Chartered
Wealth Manager
Investment Manager



David Elton
BSc (Hons), IMC,
Chartered MCSI, CFA
Partner



Ita McMahon
BA (Hons), MA, IMC
Partner, Head of Stewardship



John Alexander
Partner



Liam Blackshaw
MA (Hons), IMC
Portfolio Implementation
Specialist



Simon Holman
MA (Hons), MSc, CFA,
Chartered MCSI, ASIP
Partner



Bronwyn Riley
Chartered MCSI, ASIP
Client Manager



Daniel Lonsdale
BSc (Hons), IMC, ACSI
Portfolio Implementation
Manager



David Gorman
MA (Hons), MBA,
Chartered MCSI
Investment Analyst



James Buckley
MSc, MBA
Investment Manager



John Eckersley
BA (Hons), MBA,
Chartered FCSI,
Chartered Wealth Manager
Chair



Mark Elliott
Mchem (Hons),
Chartered MCSI, CFA
Partner, Head of Investment
Management



William Thomson
Chartered FCSI
Partner



THE THOUGHTFUL INVESTOR

8th floor,
111 Piccadilly
Manchester M1 2HY
0161 233 4550
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