

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

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THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Management and Administration

- **Manager**
Heronbridge (Jersey) Limited
47 Esplanade
St. Helier
Jersey
Channel Islands JE1 0BD
- **Investment Manager**
Heronbridge Investment Management LLP
24 Gay Street
Bath BA1 2PD
United Kingdom
- **Administrator and Trustee**
Crestbridge Fund Administrators Limited and
Crestbridge Corporate Trustees Limited
47 Esplanade
St. Helier
Jersey
Channel Islands JE1 0BD
- **Depository**
Northern Trust Fiduciary Services (Ireland)
Limited
George's Court
54 – 62 Townsend Street
Dublin 2
Ireland
- **The Listing Sponsor for The International
Stock Exchange**
Carey Olsen Corporate Finance Limited
47 Esplanade
St. Helier
Jersey
Channel Islands JE1 0BD
- **Transfer Agent and Fund
Accounting Service Provider**
Northern Trust International Fund Administration
Services (Ireland) Limited
George's Court
54-62 Townsend Street
Dublin 2
Ireland
- **Directors of the Manager**
Graeme McArthur
Katie McMahon
Simon Marks
Michael Newton as an Alternate for Graeme
McArthur
Thomas Day as an Alternate for Katie
McMahon
Kate Andrews as an Alternate for Simon
Marks
Michael Newton as an Alternate for Simon
Marks
- **Legal Advisers**
As to Jersey Law
Carey Olsen Jersey LLP
47 Esplanade
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As to English Law
Macfarlanes LLP
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United Kingdom
- **Auditor**
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Liberation House
Castle Street
St. Helier
Jersey
Channel Islands JE1 1EY

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Manager's Report

This is the fifteenth Annual Report and Audited Financial Statements of The Heronbridge United Kingdom Equity Fund (the "Fund") covering the year to 31 December 2020.

Investment Objective

The investment objective of the Fund is to achieve long-term growth primarily by investing in a diversified portfolio of listed equity securities of companies located in the United Kingdom.

Results and Distributions

For the year to 31 December 2020 the Fund had a total return, gross of fees, of -8.4% (2019: 28.5%) whilst, on a net of fees basis, it was -9.3% (2019: 27.2%) for the class A units and -9.1% (2019: 27.4%) for the class B units. This compares with -9.8% (2019: 19.2%) for the FTSE All-Share Total Return Index (the "Index").

Distributions per unit of £0.538000 (2019: £0.945411) for the class A units and £0.576217 (2019: £0.989948) for the class B units with an XD date of 31 December 2020 were declared payable on 5 January 2021 to unitholders on record on 30 December 2020 and were either reinvested into the Fund effective 4 January 2021 or paid as cash by 7 January 2021. A total of £8,429,904 (2019: £17,930,636) was re-invested into the Fund and £7,159,798 (2019: £13,741,271) was paid to unitholders. These distributions represent 100% of the surplus net income. Further information on distributions is contained in Note 3 of the Notes to the Financial Statements.

Listing

As at 31 December 2020 the Fund's permanent class A and B units continued to be listed on The International Stock Exchange ("TISE"). Further information on units in issue is contained in Note 7 of the Notes to the Financial Statements.

Fund Reporting Status

Under Regulation 55(1) (a) of The Offshore Funds (Tax) Regulations 2009, the Fund has been accepted into the Reporting Fund regime with effect from 1 January 2011.

European Union Alternative Investment Fund Managers Directive ("AIFMD")

Heronbridge Investment Management LLP, the Fund's Investment Manager, has been granted approval by the UK's Financial Conduct Authority ("FCA") to act as the full scope Alternative Investment Fund Manager ("AIFM") of the Fund (the Alternative Investment Fund ("AIF")) under the AIFMD.

In accordance with the requirements of the AIFMD, Northern Trust Fiduciary Services (Ireland) Limited has been appointed as the Fund's Depositary. The Depositary is responsible for exercising certain custodial functions in relation to the Fund's assets at the direction of the Manager, Trustee and Investment Manager.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Manager's Report (Continued)

Directors' and Other Interests

The Directors of the Manager are listed on page 3. Unless otherwise stated, the Directors of the Manager served throughout the year and subsequently to the date of this report.

As at 31 December 2020, Katie McMahon, a Director of the Manager, was the beneficial holder of 6,174 (2019: 4,907) class A units in the Fund valued on an ex dividend basis at £169,242 (2019: £151,191). Thomas Day, an Alternate Director of the Manager, and his family were the beneficial owners of 17,647 (2019: 12,656) class A units in the Fund valued on an ex dividend basis at £483,722 (2019: £389,942). None of the other Directors or Alternate Directors of the Manager held units in the Fund.

Statement of Manager's Responsibilities

The Manager, as defined on page 3 is responsible for preparing Financial Statements for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and in compliance with the Trust Instrument, which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that year. In preparing these Financial Statements, the Manager is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- state whether applicable IFRS have been followed; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Manager confirms that, to the best of its knowledge, it has complied with the above requirements in preparing these Financial Statements.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and which allow its Financial Statements to be prepared in accordance with IFRS and in compliance with the Trust Instrument. The Manager is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

The Manager has considered the following factors in assessing whether to continue to adopt the going concern basis in preparing the Financial Statements for the Fund.

1. Asset type and valuation approach - The Fund typically holds about 40 UK listed equities and frictional cash in pounds sterling. The Fund does not use leverage as part of its investment strategy, and investment restrictions prevent any cash accounts going overdrawn. The Fund's liabilities are represented by the management fee, which is linked to the value of the assets. With the exception of an annual £200 ISE fee, all other operational costs are paid by the Manager as opposed to the Fund. All investments are valued at fair value, thus representing the Fund's full liquidation value.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Manager's Report (Continued)

Going Concern (Continued)

2. Liquidity - All the equities held are classified as level 1 in the IFRS 13 Fair Value Hierarchy and are listed on the London Stock Exchange, including AIM, and are therefore readily realisable. Liquidity monitoring is undertaken on a monthly basis by the Investment Manager to examine the level of redemption requests which can be met within the required timescale and without detriment to remaining investors. There is also the option of in-specie transfers as outlined in the Fund's Prospectus, which can be utilised where the net redemptions are more than 2% of the value of the Fund.
3. Subscription and redemption activity – Whilst a net outflow of monies would not, in itself, give cause for concern over the Fund's continued operation, the Manager does keep track of the net cashflows for informational purposes. Over the 12 months to 31 December 2020 (including reinvested dividend distributions and rebates), there were subscriptions of £129.8 million (2019: £143.1 million) and redemptions of approximately £231.5 million (2019: £168.9 million), of which £107.4 million was processed in-specie (2019: £0). This resulted in a net outflow of £101.7 million (2019: net outflow of £25.8 million). A further £13.7 million (2019: £13.5 million) was paid out in respect of cash dividend distributions (for the prior year) and £9.1 million (2019: £9.7 million) to settle management fees during the course of the year. The value of the Fund as at 31 December 2020 was £807.4 million (2019: £1,061.5 million) on a cum-dividend basis. Although the redemptions figure for 2020 is higher than in previous years, this is as a result of a full redemption from a single unitholder rather than a decrease in investor appetite across the board, with subscriptions being maintained at a similar level to the previous year.
4. Fund returns - Although poor fund performance would not, in itself, give cause for concern over the Fund's continued operation, sustained under-performance of the Fund relative to the FTSE All Share Total Return Index may cause investors to redeem resulting in the Fund becoming commercially unviable. The Fund outperformed the Index in the year ending 31 December 2020 in gross terms, with a return of -8.4% compared with -9.8% for the Index. Since inception, on a gross annualised basis, the Fund has returned 10.9% compared with an Index return of 5.4%.
5. Operational resilience
 - a) COVID-19: The various parties providing services to the Fund are in different geographical locations, which have generally used technology for operational and communication purposes. All entities responded to the COVID-19 pandemic based on the government advice affecting them locally, which mainly required working from home arrangements to be implemented. The established use of technology meant that there has been very little disruption caused by these different working arrangements.
 - b) Brexit: Some of the Fund's service providers are established in countries which are EU members, whilst others are not. Heronbridge has reviewed these services in the context of Brexit and does not believe that services to the Fund will be impacted.
 - c) Due diligence: Exercises are carried out each year to ensure processes are robust via a questionnaire. Periodically, Heronbridge will visit the office locations of its service providers as part of this exercise, but this has not occurred in 2020 due to restrictions imposed as a result of COVID-19.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND


Manager's Report (Continued)

Going Concern (Continued)

Taking into account the Fund's circumstances detailed above, the Directors of the Manager confirm that they believe there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Fund to continue as a going concern for at least the next twelve months to 12 February 2022.

Auditor

Ernst & Young LLP have indicated their willingness to continue in office.



Heronbridge (Jersey) Limited
47 Esplanade
St. Helier, Jersey
Channel Islands JE1 0BD

12 February 2021

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Investment Manager's Report

For the year to 31 December 2020 the Fund had a total return, gross of fees, of -8.4% (2019: 28.5%) and, net of fees, of -9.3% (2019: 27.2%) for the class A units and of -9.1% (2019: 27.4%) for the class B units, compared with -9.8% (2019: 19.2%) for the FTSE All-Share Total Return Index.

The portfolio's cyclical businesses, which had driven a strong return in 2019, proved detrimental to performance for most of 2020, as coronavirus-related lockdowns inflicted considerable pain across much of the global economy, before turning beneficial in November when markets started to discount a recovery in 2021, following vaccine approvals. Given that we are strictly bottom-up investors, with a long-term horizon, the allocation to more economically-sensitive companies was guided by valuations (many defensive stocks remaining relatively expensive in both 2019 and 2020), rather than by a rosy assessment of short-term economic prospects.

The portfolio's large-cap companies tended to do better than small-caps in 2020 and, as might be expected, defensive stocks generally outperformed cyclicals. PZ Cussons (FMCG - personal care and food products), Stock Spirits (FMCG - alcoholic beverages), Reckitt Benckiser (FMCG - personal and home-care products) and Ultra Electronics (defence-related) were amongst the strongest contributors to performance. Top of the list, however, was Rio Tinto, on the back of sharp increases in commodity prices, notably iron ore, as the Chinese economy recovered quickly and attention turned to potential government infrastructure spending to support fragile economies. Another good relative performer was IMI (capital goods - fluid-control products), where cyclical sensitivity was somewhat mitigated by cost-saving initiatives, aftermarket revenues and exceptional sales of healthcare ventilator components as a result of the pandemic.

Main negative contributors included domestic, and mostly cyclical, businesses although the list also includes international names: Senior (systems and components to the aerospace, automotive and energy markets), severely impacted by the collapse of air traffic and the continued grounding of the Boeing 737-MAX fleet, and Essentra (specialist packaging, plastic components and filtration products), where operational leverage depressed profits in challenging trading conditions. Amongst more UK-focused names detrimental to performance were Rathbone Brothers (wealth management), Mitie (outsourced facilities management), Headlam (floorcovering distribution) and Mears (social housing maintenance services).

On 31 December 2020 the Fund had net assets of £807.4m on a cum-dividend basis. The portfolio comprised 34 companies at year-end, 10 of which featured in the 2006 inception portfolio, held at varying weights through time depending on their relative valuations. The portfolio remains fully invested (cash typically less than 1%) at all times. Turnover was ~13% in 2020, slightly down on the previous year, and compares with 18% on average since inception.

It is fair to say that 2020 did not yield the number of investment opportunities that might have been expected, given high levels of market volatility. Prior to 2020 we had long hoped for a period of market stress, to implement a more active rotation of capital towards cyclical stocks at depressed valuations. What we hadn't bargained for was that the catalyst would turn out to be a global health pandemic that would drive authorities to shut down economic activity for prolonged periods of time. We investigated a number of potential portfolio candidates but the implications of COVID-19 gave rise to a much higher risk of financial stress on corporate finances, compared with 'normal' economic downturns experienced before.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Investment Manager's Report (Continued)

Our research process typically stress-tests balance sheets for (deep) recessionary conditions rather than for the effects of a theoretical pandemic, and the current one could have proven devastating for many businesses without government and central bank support, initially, and the discovery of an effective vaccine over the longer term. Questions over both the sustainability of this support and the likelihood of vaccine approvals remained unanswered during much of 2020. In this context we felt that uncertainty was simply too high to risk allocating capital to companies where balance sheets could prove vulnerable and survival seemed far from guaranteed.

Our buying activity thus focused on those attractively-valued businesses with finances deemed robust enough to weather the crisis. The largest purchases included Rathbone Brothers (wealth management), Hays and PageGroup (recruitment), WPP (marketing services) and Euromoney (business information). We also participated in the rights issue of Mitie (outsourced facilities management) and, mostly before the pandemic struck, had added to both Close Brothers (merchant banking) and Senior (systems and components to the aerospace, automotive and energy markets). Away from traditional cyclical, we also increased our position in Imperial Brands (tobacco), which continued to trade at attractive valuation levels, and made a first-time investment in Bunzl, a distributor of not-for-resale goods (including PPE, cleaning and hygiene products) which sold off heavily in the early days of the pandemic due its exposure to retail and construction clients. The other new portfolio name, along with Bunzl, was house-builder Persimmon; we had sold a small, previously-held position in Persimmon earlier in 2020, before considerable share-price volatility afforded us another buying opportunity.

Main sources of cash, by contrast, were mostly amongst defensive stocks. There were three *complete* disposals in 2020: Convatec (medical devices), Diageo (FMCG - alcoholic beverages) and Pearson (education). The first two were successful investments; Pearson proved detrimental to performance as it struggled to cope with a drawn-out print-to-digital transition within the education sector. We also trimmed Reckitt Benckiser (FMCG - personal and home care) and Ultra Electronics (defence-related). There were reductions in a few more cyclical businesses where valuations held up well during 2020: we took profits in Rio Tinto (mining) and Clarkson (shipping services) and, mostly in the first quarter, pre-pandemic, capital-goods businesses Smiths Group and Spectris and builders' merchant Travis Perkins.

Our preferred valuation metric remains the through-the-cycle free cashflow yield, or *owner earnings yield* (OEY). Taking the portfolio's year-end OEY of 7.3% as a starting yield and combining it with long-term growth of 2.5-3.0% per annum in real terms (our assessment of likely average growth of all companies held), results in an expected long-term annualised real return of around 10%, on a static basis, if, of course, our starting assumptions turn out to be about right.

Material Changes

Under AIFMD, an AIFM must disclose in the AIF's annual report details of any material changes, which would normally require notification to unitholders. The AIFM considers that the following would be classified as material:

- Significant changes to the Trust Instrument or Prospectus;
- Changes to the remuneration payable to the Manager or costs payable by the unitholders;
- Changes to the AIFM's ownership, organisational structure, professional staffing, regulatory status or financial position;

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Investment Manager's Report (Continued)

Material Changes (Continued)

- Changes to the entities acting as the AIF's Manager, Investment Manager, Depositary or Trustee;
- Changes to the AIF's investment objectives, philosophy or strategy;
- Changes to the AIF's Investment Restrictions;
- Changes to the AIF's securities lending or borrowing restrictions.

The Fund issued an updated Prospectus and an amended and restated Trust Instrument on 31 December 2020 effective from 1 January 2021 to reflect a number of changes, legal and regulatory developments, and to improve the clarity of certain provisions.

A brief summary of the changes to the Prospectus is as follows:

- **Definitions:** This section has been updated to clarify that the Investment Manager has been appointed by the Trustee of the Fund and that the Investment Manager delegates certain of its responsibilities regarding risk management of the Fund to the Manager.
- **Part IV Risk Factors:** This section has been updated to expand on how in-specie redemptions and subscriptions can be facilitated via the use of Subscription and Withdrawal transition accounts. The withdrawal of the UK from the European Union has also been considered.
- **Part V Trustee, Management and Advice:** The Manager and the Trustee have both changed a number of their directors since the Prospectus was last updated. Details of the new directors, together with their biographies, are included.
- **Part V Dealing Procedures:** Clarifies the deadline for the receipt of documentation for the subscription of Units. This section also provides further information on In-specie redemptions, Subscription and Withdrawal transition accounts.
- **Part VIII Fees and Expenses:** this section has been updated to reflect that the Investment Manager will be paid the Management fee (previously it was paid to the Manager). It also summarises which party will pay other Fund related fees and expenses. Minor Non-Monetary Benefits have also been set out in this section.
- **Part X General Information:** "Part X: General Information" has been updated to reflect the Investment Manager's latest brokerage and privacy policies.
- **Part XIII AIFMD Disclosures:** This sets out the AIFMD disclosures required.
- **Schedules:** the schedules have been updated, including:
 - adding information relating to Subscription and Withdrawal transition accounts;
 - the provision of updated SWIFT and CHAPS payment instructions details in the Subscription Agreement;
 - the Data Protection and Privacy Notice have been included.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Investment Manager's Report (Continued)

Material Changes (Continued)

A brief summary of the changes to the Trust Instrument is as follows:

- **Issue of Units:** This has been updated to reflect the Investment Manager's ability, at its discretion, to request the applicant to use a Subscription Transition account.
- **Purchase and Redemption of units:** This has been updated to reflect the Investment Manager's ability, at its discretion, to request the Trustee to use a Withdrawal Transition account.
- **Expenses:** The wording has been updated to clarify that the Trustee has a right to reimburse itself from the Fund for liabilities, fees and expenses relating to the Fund that it has an obligation to pay.
- **Removal and Retirement of the Investment Manager:** This section has been updated such that the Investment Manager may retire or be terminated pursuant to the terms of the Investment Management Agreement.
- **Investment Management Responsibilities of the Investment Manager:** This section clarifies that it is the Investment Manager (previously the Manager) that is responsible for acting as Investment Manager to the Trust, to manage the investment and re-investment of the cash, securities and other property comprising the assets of the Trust.
- **Remuneration of the Trustee, Manager, Investment Manager:** This has been updated to reflect the revised remuneration arrangements for these parties.
- **Data Protection legislation:** This has been defined in the Trust Instrument and paragraph 52 provides additional details about complying with the requirements of this legislation.
- **Transitional provisions:** Paragraph 68 details that the respective responsibilities and liabilities of the Trustee, the Manager and the Investment Manager to the Unitholders have not been altered despite the primary responsibility or liability for certain matters being assumed by a different person or persons.

Risk Management

The AIFM has a Risk Management Policy which documents its risk management framework and the risk monitoring and reporting systems and processes which ensure that the risk profiles of its AIFs correspond to their size, portfolio structure, investment strategies and objectives as set out in the instruments constituting the funds, the Prospectus and the offering documents. The risk areas considered are market risk, investment risk, credit risk, liquidity risk, operational risk, counterparty risk and legal and other regulatory risk. The Risk Management Policy covers the measurement and management, monitoring and reporting requirements of each identified risk. Periodic risk reports are provided to Heronbridge's Executive Committee, as the AIFM's governing body.

Conflicts of Interest

The AIFM has a Conflicts of Interest Policy which itemises any conflicts of interest affecting the business and documents the measures taken to minimise or remove any adverse impacts. The AIFM's Conflicts of Interest working group meets annually to discuss any actual or potential conflicts affecting the AIFs and to review the Policy.

Remuneration Disclosures

Under the AIFMD legislation, an AIFM must, where appropriate for each AIF it manages, disclose in the AIF's annual report the total amount of remuneration paid to its staff for the financial year, split into fixed and variable remuneration, and, where relevant, any carried interest paid by the AIF.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Investment Manager's Report (Continued)

Remuneration Disclosures (Continued)

The aggregate amount of remuneration broken down by senior management and members of staff whose actions have a material impact on the risk profile of the AIF must also be disclosed.

The AIFM considers that its remuneration arrangements should be consistent with its Risk Management Policy. This is reflected in the AIFM's Remuneration Policy which aims to ensure that its investment team remains a cohesive group and that senior management and staff aim to exceed the expectations of its clients, creating a culture which is based upon long-term business viability and success.

For the year ended 31 December 2020, fixed and variable remuneration paid to all twelve members of staff of the AIFM (including senior management) amounted to £1,036,867 and £5,314,881 (2019: £996,210 and £6,324,825). No carried interest was paid by the Fund. Nine members of staff (including senior management) are judged to have a material impact on the risk profile of the AIF. Based on the assessment criteria laid out in the Investment Manager's Remuneration Policy, these nine members of staff received total aggregate remuneration of £6,133,048 in 2020 (2019: £7,160,622).

Interests

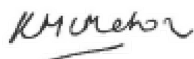
As at 31 December 2020 the Investment Manager held 10,843 (2019: 10,520) class A units in the Fund valued on an ex dividend basis at £297,212 (2019: £324,118), whilst its partners, staff and their connected parties, two of whom are also Directors or Alternates of the Manager, together held 993,972 (2019: 778,825) class A units valued on an ex dividend basis at £27,246,029 (2019: £23,995,588). These investors participate in the Fund on the same terms and have the same rights as unaffiliated investors.

Leverage

Leverage is a term used to describe any method by which the Fund manages its economic exposure by either borrowing cash/assets from counterparties (gearing or financial leverage) or by making use of derivatives (synthetic leverage).

In accordance with the requirements of applicable regulations, the AIFM must set a maximum level of leverage for the Fund and report to investors the total amount of leverage it employs. AIFMs are required to calculate the exposure of its AIFs using two different methods, effectively arriving at two different leverage ratios, (i) as a gross figure, and (ii) by the 'commitment' method, which takes into account netting of positions. As the leverage calculation includes exposure created by the AIF's investments, it is only described as 'leveraged' if its overall exposure is greater than its net asset value, i.e. where the leverage ratio is greater than 100%.

The AIF is only permitted to use those types and sources of leverage which are consistent with its investment policy. The AIFM notes that the Fund does not use leverage as part of its investment strategy. Therefore, the leverage calculation under both methods is 100%.



Heronbridge Investment Management LLP
24 Gay Street
Bath BA1 2PD
United Kingdom

12 February 2021

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Trustee's Report

Trustee's Responsibilities

The Trustee is responsible for safeguarding the assets of the Fund and must take reasonable care to ensure that the Fund is managed by the Manager in compliance with the provisions of the Trust Instrument and the Fund's Prospectus (together the "Principal Documents"). They are also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trustee's Statement

In our opinion the Manager of the Fund, Heronbridge (Jersey) Limited, has, in all material respects, managed the Fund for the year to 31 December 2020 in accordance with the provisions of the Principal Documents.



Crestbridge Corporate Trustees Limited
47 Esplanade
St. Helier, Jersey
Channel Islands JE1 0BD

12 February 2021

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Opinion

We have audited the financial statements of The Heronbridge United Kingdom Equity Fund (the 'Fund') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, the Statement of Cash Flows, and related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Fund's affairs as at 31 December 2020 and of its results for the year then ended; and
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union.

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 Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Manager's assessment of the Fund's ability to continue to adopt the going concern basis of accounting included:

- ▶ Confirming our understanding of the Manager's going concern assessment process and also engaging with the Manager early to ensure all key factors were considered in its assessment;
- ▶ Obtaining the Manager's going concern assessment, including acknowledgement of the liquidity of the investment portfolio, the significant net asset position, the absence of external debt, and cash balances which are significantly in excess of current liabilities;
- ▶ Holding discussions with the Manager whether events or conditions exist that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern;
- ▶ Reviewing the assumptions used in the going concern assessment prepared by the Manager and we consider the methods utilised were appropriate to be able to make an assessment for the Fund;
- ▶ Reviewing the Manager's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE HERONBRIDGE UNITED KINGDOM EQUITY FUND (continued)

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

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> ► Valuation of investments ► Improper revenue recognition
Materiality	► Overall materiality of £8.07m which represents 1% of Net assets attributable to holders of redeemable units ("NAV")

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Fund. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Fund and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to those Charged with Governance
Valuation of investments (2020: £795.94m, 2019: £1035.04m) <i>Refer to the Accounting Policies (Note 2c), and notes 4 and 9 of the Financial Statements.</i> The investments held by the Fund comprise a portfolio of equity securities measured at fair value through profit or loss, whose value is derived from unadjusted quoted bid prices in active markets.	We performed a walkthrough of the valuation processes performed with regards to the year-end valuation of investments. This included obtaining the full process detail and holding discussions with management. The valuation process was reviewed to understand the systems, the segregation of duties, and the controls implemented in the process.	We reported that there were no matters identified during our audit work to indicate that the valuation of investments is materially misstated.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF THE HERONBRIDGE UNITED KINGDOM EQUITY FUND (continued)**

Risk	Our response to the risk	Key observations communicated to those Charged with Governance
The valuation of the Fund's investments is the most significant component of the Statement of Financial Position and the most important driver of the total return.	At year end we agreed the prices used to value each security to an independent pricing source. We also considered whether the prices were in respect of active markets by reference to daily trade volumes around the balance sheet date for each security.	
<p>Improper revenue recognition (2020: £26.73m, 2019: £42.77m)</p> <p><i>Refer to the Accounting Policies (Note 2e) of the Financial Statements.</i></p> <p>Revenue comprises dividend income generated from the Fund's investment portfolio.</p> <p>Management may seek to overstate revenue in order to report a higher return to investors.</p>	<p>We walked through the income recognition process to understand the systems and controls implemented. We obtained the full process detail and discussed with management the segregation of duties and controls in place.</p> <p>The main source of income is dividend income received from the investments. We agreed a sample of dividend receipts to supporting documentation.</p> <p>We agreed the sample listing of dividends received and receivable to independent sources and bank statements to confirm that the income recognised was not materially misstated.</p>	<p>We reported that there were no matters identified during our audit work to indicate that the revenue recognised in the accounts is materially misstated.</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Fund to be £8.07m (2019: £10.61m), which is 1% (2019: 1%) of NAV. We believe that NAV provides us with the most appropriate basis for materiality as it is a key performance measure and a key metric used by management in assessing and reporting on the overall performance of the Fund, whose primary objective is to achieve long term growth by holding investments in a portfolio of listed equity securities.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE HERONBRIDGE UNITED KINGDOM EQUITY FUND (continued)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Fund's overall control environment, our judgement was that performance materiality was 75% (2019: 50%) of our planning materiality, namely £6.06m (2019: £5.31m). We have increased the performance materiality compared to prior year due to the absence of any identified misstatements in the 2019 audit and have therefore assessed the risk of the presence of misstatements as lower.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £0.40m (2019: £0.53m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Manager and Trustee

As explained more fully in the Statement of Manager's Responsibilities set out on page 5 the Manager 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 Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring the Fund is managed, by the Manager, in accordance with the Trust Instrument.

In preparing the financial statements, the Manager is responsible for assessing the Fund'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 Manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE HERONBRIDGE UNITED KINGDOM EQUITY FUND (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Fund and management.

Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Trusts (Jersey) Law 1984, the Money Laundering (Jersey) Order 2008, the Collective Investment Funds (Jersey) Law 1988, the Control of Borrowing (Jersey) Law 1958 and the Financial Services (Jersey) Law 1998.
- ▶ We understood how the Fund is complying with those frameworks by making enquiries of management and those charged with governance regarding:
 - ▶ their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
 - ▶ the Fund's methods of enforcing and monitoring non-compliance with such policies;
 - ▶ management's process for identifying and responding to fraud risks in the Fund, including programs and controls the Fund has established to address risks identified by the entity, or that otherwise prevent, deter and detect fraud; and
 - ▶ how management monitors those programs and controls.
- ▶ Administration and maintenance of the Fund's books and records is handled by Crestbridge Fund Administrators Limited whom are a regulated firm, independent of the investment manager, Heronbridge Investment Management LLP. We corroborated our enquiries through our review of Board minutes and any correspondence received from regulatory bodies and noted there was no contradictory evidence.
- ▶ We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by:
 - ▶ obtaining an understanding of entity-level controls and considering the influence of the control environment;
 - ▶ obtaining management's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessment;

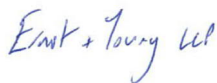
**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF THE HERONBRIDGE UNITED KINGDOM EQUITY FUND (continued)**

- ▶ making inquiries with those charged with governance as to how they exercise oversight of management's processes for identifying and responding to fraud risks and the controls established by management to mitigate specifically those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;
 - ▶ making inquiries with management and those charged with governance regarding how they identify related parties including circumstances related to the existence of a related party with dominant influence; and
 - ▶ making inquiries with management and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the Fund.
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved a review of board minutes, inquiries of management and those charged with governance, and focused testing, including as referred to in the key audit matters section above.

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

Use of our report

This report is made solely to the Fund's unitholders, as a body, in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the Fund's unitholders 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.



Jersey, Channel Islands
Date: 12 February 2021

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Statement of Comprehensive Income

For the year ended 31 December 2020

		2020	2019
	Notes	£	£
Operating income			
Realised gains on financial assets at fair value through profit or loss		41,416,481	47,794,799
Realised (losses) on financial assets at fair value through profit or loss		(61,640,061)	(20,744,336)
Unrealised gains on financial assets at fair value through profit or loss		19,749,870	208,636,763
Unrealised (losses) on financial assets at fair value through profit or loss		<u>(138,482,774)</u>	<u>(33,890,135)</u>
Net (losses)/gains on financial assets at fair value through profit or loss		(138,956,484)	201,797,091
Dividend income		<u>26,726,889</u>	<u>42,765,973</u>
Net operating (loss)/income		<u>(112,229,595)</u>	<u>244,563,064</u>
Operating expenses			
Management fee	10	(8,499,214)	(9,902,058)
ISE registration fee	2.f)	<u>(200)</u>	<u>(200)</u>
Total operating expenses		<u>(8,499,414)</u>	<u>(9,902,258)</u>
Operating (loss)/profit		<u>(120,729,009)</u>	<u>234,660,806</u>
Finance costs			
Net equalisation expense	2.i)	(2,637,770)	(1,191,808)
Distributions to holders of redeemable units	3	<u>(31,671,907)</u>	<u>(26,551,709)</u>
Net finance costs		<u>(34,309,677)</u>	<u>(27,743,517)</u>
(Decrease)/increase in net assets attributable to holders of redeemable units		<u>(155,038,686)</u>	<u>206,917,289</u>

The Notes on pages 28 to 46 form an integral part of these Financial Statements.


THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Statement of Financial Position

As at 31 December 2020

		2020	2019
	Notes	£	£
Assets			
Current assets:			
Financial assets at fair value through profit or loss	4	795,938,757	1,035,043,714
Dividend income receivable		1,852,113	2,406,084
Securities sold receivable		4,336,245	17,154,449
Prepaid ISE registration fee	2.f)	200	200
Cash and cash equivalents	2.j),5	9,019,696	13,041,268
Total assets		811,147,011	1,067,645,715
Liabilities			
Current liabilities:			
Management fees payable	10	1,957,246	2,552,786
Subscriptions received in advance	5	1,773,149	3,601,726
Total liabilities (excluding net assets attributable to holders of redeemable units)		3,730,395	6,154,512
Net assets attributable to holders of redeemable units	2.l)	807,416,616	1,061,491,203
Net asset value attributable to unit class			
Class A units		771,497,084	1,009,692,159
Class B units		35,919,532	51,799,044
		807,416,616	1,061,491,203
Net asset value per unit			
Class A Cum-Dividend	2.l)	£27.949252	£31.755381
Class B Cum-Dividend	2.l)	£28.006586	£31.816788

The Financial Statements on pages 20 to 46 were approved by the Directors of the Manager on 12 February 2021 and signed on its behalf by:



The Notes on pages 28 to 46 form an integral part of these Financial Statements.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended 31 December 2020

		2020	2019
	<i>Notes</i>	£	£
Net assets attributable to holders of redeemable units at the beginning of the year		1,061,491,203	879,193,047
Issue of redeemable units		139,491,132	141,633,873
Redemption of redeemable units		(238,781,761)	(166,307,083)
(Decrease)/Increase in net assets attributable to holders of redeemable units		(155,038,686)	206,917,289
Anti-dilution levy	2.k)	<u>254,728</u>	<u>54,077</u>
Net assets attributable to holders of redeemable units at the end of the year		<u><u>807,416,616</u></u>	<u><u>1,061,491,203</u></u>

The Notes on pages 28 to 46 form an integral part of these Financial Statements.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Statement of Cash Flows

For the year ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Operating (loss)/profit	(120,729,009)	234,660,806
Adjustments to reconcile operating profit to net cash provided in operating activities:		
Management fee attributable to reinvested rebates	231,060	1,131,638
Decrease in dividend income receivable	553,971	401,428
Decrease/(Increase) in due from brokers	12,818,204	(17,154,449)
Decrease/(Increase) in financial assets at fair value through profit or loss	239,104,957	(159,478,903)
(Decrease)/Increase in management fees payable	(595,540)	223,619
Net cash provided by operating activities	<u>131,383,643</u>	<u>59,784,139</u>
Cash flows from financing activities		
Equalisation on subscriptions	757,913	1,463,790
Equalisation on redemptions	(3,395,683)	(2,655,598)
Distributions to holders of redeemable units	(13,741,271)	(13,490,076)
Proceeds from issue of redeemable units	119,500,859	101,446,213
Payments on redemption of redeemable units	(238,781,761)	(166,307,083)
Anti-dilution levy	254,728	54,077
Net cash used in financing activities	<u>(135,405,215)</u>	<u>(79,488,677)</u>
Net decrease in cash and cash equivalents	(4,021,572)	(19,704,538)
Cash and cash equivalents at beginning of the year	<u>13,041,268</u>	<u>32,745,806</u>
Cash and cash equivalents at the end of the year	<u><u>9,019,696</u></u>	<u><u>13,041,268</u></u>
Supplementary Information		
Dividends received	27,280,860	43,167,401

The dividend distribution is allocated to unitholders by way of reinvestment or cash payment, depending on their election. Only the cash portion is included in the “Proceeds from issue of redeemable units” line. Please note that the prior year number has also been adjusted to exclude the portion of the distribution that was reinvested.

The Notes on pages 28 to 46 form an integral part of these Financial Statements.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Schedule of Investments (unaudited)

As at 31 December 2020

<i>Number of Shares/ Securities</i>	<i>Sector/Securities</i>	<i>Book Cost £ 2020</i>	<i>Fair Value £ 2020</i>	<i>Percentage of Net Assets 2020</i>	<i>Percentage of Net Assets 2019</i>
Business Services					
27,204,833	Hays	32,887,533	38,902,911	4.8	
8,352,938	PageGroup	30,455,169	37,371,045	4.6	
3,655,228	Savills	29,627,285	34,889,151	4.3	
7,405,545	Essentra	33,843,880	22,675,779	2.8	
50,251,616	Mitie	45,492,659	20,603,163	2.6	
3,045,297	Aggreko	22,990,453	19,063,559	2.4	
1,474,433	EMIS	11,782,538	15,953,365	2.0	
587,189	Clarkson	13,264,449	15,854,103	2.0	
3,465,352	Mears	11,829,336	5,336,642	0.7	
205,947	Bunzl	3,437,833	5,031,285	0.6	
		235,611,135	215,681,003	26.8	26.0
Capital/Cyclical					
3,420,565	IMI	34,584,932	39,849,582	4.9	
5,626,515	BAE Systems	28,850,875	27,502,405	3.4	
894,029	Spectris	20,279,522	25,193,737	3.1	
1,174,624	Ultra Electronics	17,087,373	24,338,209	3.0	
1,214,824	Smiths Group	13,186,616	18,277,027	2.3	
14,557,699	Senior	25,547,932	12,992,746	1.6	
		139,537,250	148,153,706	18.3	21.0
Food, Drink & Tobacco					
2,749,915	Imperial Brands	58,120,843	42,224,945	5.2	
15,630,259	PZ Cussons	38,565,957	35,949,596	4.5	
1,188,315	British American Tobacco	33,025,065	32,179,570	4.0	
5,439,098	Stock Spirits	11,651,277	14,576,783	1.8	
198,742	Reckitt Benckiser	10,488,025	13,001,702	1.6	
		151,851,167	137,932,596	17.1	16.9
Media/Consumer General					
3,212,856	Euromoney Institutional Investor	35,266,526	34,249,045	4.2	
4,216,034	WPP	32,314,044	33,728,272	4.2	
2,992,467	Daily Mail & General Trust	20,081,936	22,293,879	2.8	
878,010	Vitec	5,687,259	8,051,352	1.0	
		93,349,765	98,322,548	12.2	11.7
Financial Services					
1,603,141	Schroders	32,239,197	36,631,772	4.5	
2,302,886	Rathbone Brothers	42,165,968	35,464,444	4.4	
		74,405,165	72,096,216	8.9	7.1

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Schedule of Investments (unaudited) (Continued)

As at 31 December 2020

<i>Number of Shares/ Securities</i>	<i>Sector/Securities</i>	<i>Book Cost £ 2020</i>	<i>Fair Value £ 2020</i>	<i>Percentage of Net Assets 2020</i>	<i>Percentage of Net Assets 2019</i>
	Construction & Related				
2,003,916	Travis Perkins	24,772,717	26,992,749	3.3	
3,317,080	Headlam	12,603,286	11,941,488	1.5	
211,052	Persimmon	3,910,367	5,839,809	0.7	
		41,286,370	44,774,046	5.5	6.0
	Resources				
619,778	Rio Tinto	13,398,562	33,901,857	4.2	
		13,398,562	33,901,857	4.2	3.8
	Retail				
7,990,524	WM Morrison Supermarkets	16,832,731	14,171,194	1.8	
3,885,018	Tesco	10,840,906	8,989,932	1.1	
		27,673,637	23,161,126	2.9	3.1
	Healthcare	-	-	-	1.3
	Banks				
1,585,793	Close Brothers	20,730,605	21,915,659	2.7	
		20,730,605	21,915,659	2.7	0.6
	Total Investments	797,843,656	795,938,757	98.6	97.5
	Cash and cash equivalents	9,019,696	9,019,696	1.1	1.2
	Other Net Assets	2,458,163	2,458,163	0.3	1.3
	Net assets attributable to holders of redeemable units	809,321,515	807,416,616	100.0	100.0

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Schedule of Significant Portfolio Movements (unaudited)

For the year ended 31 December 2020

Purchases (Top 20 accumulated for the year)

Security	Cost £	Percentage of Total Purchases
Rathbone Brothers	23,471,384	13.6
Close Brothers	19,955,224	11.5
Mitie	11,351,888	6.6
WPP	11,134,933	6.4
Imperial Brands	10,908,199	6.3
Hays	10,518,736	6.1
Euromoney Institutional Investor	8,320,408	4.8
PageGroup	7,682,313	4.4
Bunzl	7,527,071	4.3
Senior	6,339,515	3.7
Persimmon	6,000,093	3.5
British American Tobacco	5,676,894	3.3
Savills	4,630,961	2.7
BAE Systems	4,433,204	2.6
PZ Cussons	4,109,887	2.4
EMIS	3,631,468	2.1
Rio Tinto	3,302,018	1.9
Schroders	3,152,373	1.8
IMI	3,043,527	1.8
Essentra	2,232,056	1.3
Total cost of Top 20 purchases	157,422,152	91.1

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND
Schedule of Significant Portfolio Movements (unaudited) (Continued)
For the year ended 31 December 2020

Sales (Top 20 accumulated for the year)

Security	Proceeds £	Percentage of Total Sales
Ultra Electronics	21,218,018	7.8
Reckitt Benckiser	17,895,331	6.6
Rio Tinto	16,911,050	6.2
ConvaTec	12,907,492	4.7
Smiths Group	11,881,649	4.4
Imperial Brands	11,467,824	4.2
IMI	11,258,356	4.1
Pearson	10,263,397	3.8
PZ Cussons	9,926,996	3.6
Spectris	9,901,408	3.6
Travis Perkins	8,611,676	3.2
Savills	8,193,880	3.0
PageGroup	8,022,497	2.9
BAE Systems	7,769,581	2.8
Hays	7,752,303	2.8
British American Tobacco	7,464,244	2.7
Clarkson	7,442,783	2.7
Rathbone Brothers	7,239,458	2.6
Euromoney Institutional Investor	7,070,511	2.6
Schroders	7,017,773	2.6
Total proceeds of Top 20 sales	210,216,227	76.9

Where corporate actions result in an exchange for shares in the same or another company, these transactions are excluded from the above table, but where they result in an exchange for cash, they are included. Assets transferred in-specie into the Fund from a Subscription Transition Account or into a Withdrawal Transition Account from the Fund are included in the above table at their value on the respective dealing day the transfer was effected. Please refer to Note 8 for further detail.

The significant portfolio movements disclosed on pages 26 and 27 reflect the top 20 equity purchases and the top 20 equity sales made during the year.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements

For the year ended 31 December 2020

1. General Information

The Heronbridge United Kingdom Equity Fund (the “Fund”) is an open-ended collective investment scheme in the form of a unit trust domiciled in Jersey. It is operated by Jersey Trust Law 1984 and Trust Instruments and is regulated by the Jersey Financial Services Commission as an Expert Fund. As mentioned in the Manager’s Report, the Fund is also an AIF, and the Fund’s Investment Manager is the AIFM. As a UK AIFM that does not market in the EU and invests in UK equities only, Brexit is not expected to have a material impact on the operations of the firm, key counterparty relationships, or the firm’s relationships with clients.

The Fund is marketed in the United Kingdom and, for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom (“FSMA”), the Fund is classified as an unregulated scheme. It is not required to comply with the provisions of the revised Statement of Recommended Practice (the “SORP”) for the financial statements of UK authorised funds, as amended by the Investment Association in June 2017.

There are two classes of units for the Fund, class A and class B units, which pay a management fee of 1.00% per annum and 0.85% per annum respectively. The Manager may, with the consent of the Trustee, offer rebates to unitholders. In any event, class A unitholders are entitled to benefit from a tiered fee scale that will result in reduced management fees to the extent the value of any units held by a single unitholder exceeds £10 million. Class B units are only available to investors subscribing for, and maintaining net subscriptions of, a value of at least £30 million. The Fund’s redeemable class A and B units are listed on The International Stock Exchange (“TISE”).

The investment objective of the Fund is to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in the United Kingdom.

2. Significant Accounting Policies

Basis of Preparation

The Financial Statements of the Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) on a historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Fund’s accounting policies. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. There were no significant estimates or judgements made by the Manager.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Significant Accounting Policies (Continued)

a) Going Concern

The Manager has considered the following factors in assessing whether to continue to adopt the going concern basis in preparing the Financial Statements for the Fund.

1. Asset type and valuation approach - The Fund typically holds about 40 UK listed equities and frictional cash in pounds sterling. The Fund does not use leverage as part of its investment strategy, and investment restrictions prevent any cash accounts going overdrawn. The Fund's liabilities are represented by the management fee, which is linked to the value of the assets. With the exception of an annual £200 ISE fee, all other operational costs are paid by the Manager as opposed to the Fund. All investments are valued at fair value, thus representing the Fund's full liquidation value.
2. Liquidity - All the equities held are classified as level 1 in the IFRS 13 Fair Value Hierarchy and are listed on the London Stock Exchange, including AIM, and are therefore readily realisable. Liquidity monitoring is undertaken on a monthly basis by the Investment Manager to examine the level of redemption requests which can be met within the required timescale and without detriment to remaining investors. There is also the option of in-specie transfers as outlined in the Fund's Prospectus, which can be utilised where the net redemptions are more than 2% of the value of the Fund.
3. Subscription and redemption activity – Whilst a net outflow of monies would not, in itself, give cause for concern over the Fund's continued operation, the Manager does keep track of the net cashflows for informational purposes. Over the 12 months to 31 December 2020 (including reinvested dividend distributions and rebates), there were subscriptions of £129.8 million (2019: £143.1 million) and redemptions of approximately £231.5 million (2019: £168.9 million), of which £107.4 million was processed in-specie (2019: £0). This resulted in a net outflow of £101.7 million (2019: net outflow of £25.8 million). A further £13.7 million (2019: £13.5 million) was paid out in respect of cash dividend distributions (for the prior year) and £9.1 million (2019: £9.7 million) to settle management fees during the course of the year. The value of the Fund as at 31 December 2020 was £807.4 million (2019: £1,061.5 million) on a cum-dividend basis. Although the redemptions figure for 2020 is higher than in previous years, this is as a result of a full redemption from a single unitholder rather than a decrease in investor appetite across the board, with subscriptions being maintained at a similar level to the previous year.
4. Fund returns - Although poor fund performance would not, in itself, give cause for concern over the Fund's continued operation, sustained under-performance of the Fund relative to the FTSE All Share Total Return Index may cause investors to redeem resulting in the Fund becoming commercially unviable. The Fund outperformed the Index in the year ending 31 December 2020 in gross terms, with a return of -8.4% compared with -9.8% for the Index. Since inception, on a gross annualised basis, the Fund has returned 10.9% compared with an Index return of 5.4%.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Significant Accounting Policies (Continued)

a) Going Concern (Continued)

5. Operational resilience

- a) COVID-19: The various parties providing services to the Fund are in different geographical locations, which have generally used technology for operational and communication purposes. All entities responded to the COVID-19 pandemic based on the government advice affecting them locally, which mainly required working from home arrangements to be implemented. The established use of technology meant that there has been very little disruption caused by these different working arrangements.
- b) Brexit: Some of the Fund's service providers are established in countries which are EU members, whilst others are not. Heronbridge has reviewed these services in the context of Brexit and does not believe that services to the Fund will be impacted.
- c) Due diligence: Exercises are carried out each year to ensure processes are robust via a questionnaire. Periodically, Heronbridge will visit the office locations of its service providers as part of this exercise, but this has not occurred in 2020 due to restrictions imposed as a result of COVID-19.

Taking into account the Fund's circumstances detailed above, the Directors of the Manager confirm that they believe there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Fund to continue as a going concern for at least the next twelve months to 12 February 2022.

b) Functional and Presentation Currency

The Financial Statements are presented in pounds Sterling ("£"), which is the Fund's functional and presentation currency. The amounts stated are rounded to the nearest £.

c) Financial Instruments

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if;

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Significant Accounting Policies (Continued)

c) Financial Instruments (Continued)

(i) Classification (Continued)

Financial Assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets;
- The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including due from brokers (representing receivables for securities sold), accrued income and other receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

Instruments held for trading. This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Financial Liabilities

Financial liabilities measured at amortised cost

The Fund includes in this category expenses payable, purchases of investments to be settled in arrears and subscriptions received in advance. Financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Significant Accounting Policies (Continued)

c) Financial Instruments (Continued)

(ii) Recognition

Financial assets are recognised when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

(iii) Initial Measurement

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent Measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVPL at fair value.

Subsequent changes in the fair value of those financial instruments are recorded in gain or loss on financial assets and liabilities at FVPL in the Statement of Comprehensive Income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the Statement of Comprehensive Income.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Realised gains and realised losses on derecognition are determined using the first in first out method and are recognised on the Statement of Comprehensive Income for the period in which they arise.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Significant Accounting Policies (Continued)

d) Impairment

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under IFRS 9 to all its trade receivables.

The Fund's approach to ECL reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date.

e) Income Recognition

Dividend income is accounted for in the Statement of Comprehensive Income when the Fund's right to receive the payment has been established, normally being the date on which the relevant investment is quoted ex dividend.

f) Operating Expenses

All operating expenses paid by the Fund are recognised in the Statement of Comprehensive Income on an accruals basis. The Fund pays the costs incurred on the acquisition and realisation of investments, including any stamp and other duties, broker commission and charges. Management fees are also charged to the Fund at a rate of 1.00% per annum on the value of class A unit holdings and 0.85% per annum on the value of class B unit holdings. Further detail is contained in Note 10. A fee of £200 per annum is paid by the Fund in respect of its registration as an International Services Entity ("ISE") which exempts it from the Jersey Goods and Services Tax. All other expenses including the Depositary, Trustee and Auditor fees are met by the Manager.

g) Distributions to Holders of Redeemable Units

In accordance with the Fund's Prospectus, in normal circumstances, 100% of the surplus net income earned by the assets of the Fund during the period will be distributed. Surplus net income includes all ordinary income and expense items, including management fees and equalisation accruals, but will not ordinarily include any realised or unrealised capital gain items. Distributions are recognised in the Statement of Comprehensive Income as finance costs. Further detail is contained in Note 3.

h) Taxation

The Fund receives and accounts for dividend income. Under existing Jersey and UK tax legislation the Fund is not subject to any taxes on income, profits or capital gains, although it is responsible for all expenses related to taxes where applicable.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Significant Accounting Policies (Continued)

i) Equalisation

Income equalisation is paid by a subscribing unitholder and received by a redeeming unitholder to ensure that the level of distributions payable on any class of units is not affected by the issue, conversion or repurchase of units of that class during the relevant accounting period. Part of the price applied to a unitholder transaction reflects the relevant share of accrued income received by the unitholder or by the Fund. Equalisation amounts paid and received by the Fund are recognised in the Statement of Comprehensive Income.

j) Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash and cash equivalents include cash in hand and deposits held at call with banks, and are disclosed in the Statement of Financial Position. See Note 5 for further details of the components.

k) Anti-Dilution Levy

Subscribing unitholders may be required to contribute to the Fund an anti-dilution levy which is not expected to exceed 0.8% of a unitholders subscription to cover the costs which the Fund will incur in converting cash or other property into suitable investments. Redeeming unitholders may be required to contribute to the Fund an anti-dilution levy which is not expected to exceed 0.3% of the amount of the unitholder's redemption to cover the costs which the Fund will incur as a result of liquidating assets sufficient to satisfy cash redemption requests. Anti-dilution levy amounts received by the Fund are recognised in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

l) Net Assets Attributable to Holders of Redeemable Units

Class A and class B units participate equally in the assets and liabilities and the income and expenses of the Fund, with the exception of the management fees and net subscription thresholds, as explained in Note 1. The Fund's redeemable units do not meet the exception of puttable financial instruments to be classified as equity and therefore are classified as financial liabilities.

The net assets attributable to holders of redeemable units of the Fund have been calculated by aggregating the value of the securities owned or contracted for by the Fund with the value of the other assets of the Fund and deducting from them the liabilities of the Fund.

The net asset value attributable to each set of unitholders has been divided by the respective number of units in issue in each class to derive the net asset value per unit.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

3. Distributions to Holders of Redeemable Units

Distributions of £0.538000 (2019: £0.945411) per class A unit amounting to £14,850,681 (2019: £30,060,231) and £0.576217 (2019: £0.989948) per class B unit amounting to £739,021 (2019: £1,611,676) with an XD date of 31 December 2020 were declared payable on 5 January 2021 and accordingly, in line with IAS 1 requirements, were not accrued at the year end. These distributions were either reinvested into the Fund effective 4 January 2021 or paid as cash by 7 January 2021 to unitholders on record at 30 December 2020.

The distribution shown in the Statement of Comprehensive Income for 2020 of £31,671,907 (2019: £26,551,709) represents the surplus net income for 2019 which was declared and distributed in January 2020.

4. Financial Assets at Fair Value through Profit or Loss

	2020	2019
	£	£
Cost of financial assets brought forward	918,215,709	933,483,434
Cost of purchase of financial assets	173,065,861	144,759,469
Proceeds on sale of financial assets	(273,214,334)	(187,077,657)
Realised (losses)/gains on financial assets at fair value through profit or loss	(20,223,580)	27,050,463
Cost of financial assets at year end	797,843,656	918,215,709
Unrealised (losses)/gains on financial assets at fair value through profit or loss at year end	(1,904,899)	116,828,005
Financial assets at fair value through profit or loss at year end	795,938,757	1,035,043,714

Please note that the figures above may include cash receipts or payments made in respect of corporate actions which occurred during the reporting period. This might include payments to participate in rights issues, or receipts from special dividends or returns of capital.

Transaction costs are costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs of £774,141 (2019: £610,977) in respect of purchases and £82,198 (2019: £54,388) in respect of sales are included in the Statement of Comprehensive Income.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

4. Financial Assets at Fair Value through Profit or Loss (Continued)

Fair Value Hierarchy

In accordance with IFRS 13 the Fund is required to classify fair value measurements using a fair value hierarchy that is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

The determination of what constitutes ‘observable’ requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at 31 December 2020 and 31 December 2019 all financial instruments are valued at unadjusted quoted prices in active markets that are accessible at the measurement date and are classified within Level 1. There were no transfers between levels during the years ended 31 December 2020 and 31 December 2019.

All of the Fund’s investments are held at fair value through profit or loss and details of these investments have been provided in the Schedule of Investments on pages 24 and 25.

5. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	2020	2019
	£	£
Cash	9,019,696	13,041,268
	<u>9,019,696</u>	<u>13,041,268</u>

As at 31 December 2020, Cash and cash equivalents includes £1,773,149 (2019: £3,601,726) in respect of subscriptions received in advance.

6. Reconciliation of Financing Liabilities

With the adoption of IAS 7 ‘Disclosure Initiative’ please see below a reconciliation of the opening and closing balances of financial liabilities that arise from financing activities between cash and non-cash movements. The Fund issued units in 2020, which is a non-cash change, as the Fund had received the cash during the year ended 31 December 2019.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

6. Reconciliation of Financing Liabilities (Continued)

31 December 2020

	Opening balance £	Cash flows £	Net income allocation £	Non-cash flows £	Closing balance £
Net assets attributable to holders of redeemable units	1,061,491,203	-	-	-	1,061,491,203
Statement of Comprehensive Income movements	-	(34,309,677)	(120,729,009)	-	(155,038,686)
Statement of Changes in Net Asset movements	-	(102,868,687)	-	3,832,786	(99,035,901)
	1,061,491,203	(137,178,364)	(120,729,009)	3,832,786	807,416,616
Subscriptions received in advance	3,601,726	1,773,149	-	(3,601,726)	1,773,149
	-	-	-	-	-
	1,065,092,929	(135,405,215)	(120,729,009)	231,060	809,189,765

31 December 2019

	Opening balance £	Cash flows £	Net income allocation £	Non-cash flows £	Closing balance £
Net assets attributable to holders of redeemable units	879,193,047	-	-	-	879,193,047
Statement of Comprehensive Income movements	-	(27,743,517)	234,660,806	-	206,917,289
Statement of Changes in Net Asset movements	-	(55,346,886)	-	30,727,753	(24,619,133)
	879,193,047	(83,090,403)	234,660,806	30,727,753	1,061,491,203
Subscriptions received in advance	29,596,115	3,601,726	-	(29,596,115)	3,601,726
	908,789,162	(79,488,677)	234,660,806	1,131,638	1,065,092,929

In the current year there was a change in the management fees cash flow mechanism, whereby the payment of the management fees and receipt of rebates now comprises two separate transactions. This results in two cash flows, the first when the management fee accrual is settled from the Fund to the Manager each quarter, and another when the rebate payment is made by the Manager to the Fund in respect of rebate reinvestments for eligible unitholders the following month. This is a reversion to the method used prior to 2019.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

6. Reconciliation of Financing Liabilities (Continued)

For 2019, the process was changed so that there was only one cashflow at each quarter point - the management fees were settled from the Fund net of the rebate amount, leaving the rebate amount as an asset in the Fund for the month until it was due to be reinvested. There was a matching liability accrual for the Fund to reinvest the amount for the benefit of rebated unitholders the following month, when this accrual was cleared. A decision was taken to revert to the former process for 2020 as it provides administration efficiencies. The non-cash movement of the management fee from 2019 is included in the Statement of Changes in Net Assets under the non-cash flows basket in the previous year.

7. Units and Capital Management

As mentioned in Note 1, there are two classes of units for the Fund, class A and class B units, which are identical in their rights and obligations except for the management fees charged and the minimum net subscription for the B Units. The Fund's redeemable class A and B units are listed on TISE.

Class A units pay a management fee of 1.00% per annum and class B units 0.85% per annum. Class B units are only available to investors subscribing for, and maintaining net subscriptions of, a value of at least £30 million.

The Manager may, with the consent of the Trustee, offer rebates to unitholders. In any event, class A unitholders are entitled to benefit from a tiered fee scale that will result in reduced management fees to the extent the value of any units held by a single unitholder exceeds £10 million. Rebates are calculated on a quarterly basis based on the gross value of the units held in a unitholder account as at each Valuation Point during the quarter. The amount of the rebate will be the arithmetic difference between the 100 basis-point fee charged to all Class A Units (as cited in the Fund's Prospectus) and the amount calculated using the following scale:

Client Asset Value	bps/annum
First £10 million	100 bps
Next £15 million	90 bps
Next £50 million	70 bps
Thereafter	60 bps

The Manager will ordinarily direct the Trustee to purchase units in the Fund on our behalf using any available rebate on the appropriate dealing day, this being the first business day of February, May, August and November for the quarters ended December, March, June and September respectively.

As at 31 December 2020 there were 27,603,496.2978 class A units (2019: 31,795,939.5454) in issue and 1,282,538.7818 class B units (2019: 1,628,041.2693) in issue. See Note 1 for further information about the classes of unit available. The base currency of class A and class B units is £.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

7. Units and Capital Management (Continued)

Transactions in redeemable units for the year ended 31 December were as follows:

	2020		2019	
	Class A	Class B	Class A	Class B
Opening units in issue	31,795,939.5454	1,628,041.2693	30,708,685.2694	3,451,577.3471
Redeemable units issued	4,617,794.6998	920,132.8824	5,184,544.2687	38,542.2503
Redeemed units	(8,810,237.9474)	(1,265,635.3699)	(4,097,289.9927)	(1,862,078.3281)
Closing units in issue	<u>27,603,496.2978</u>	<u>1,282,538.7818</u>	<u>31,795,939.5454</u>	<u>1,628,041.2693</u>
Net asset value attributable to unit class (£)	771,497,084	35,919,532	1,009,692,159	51,799,044

The Fund's capital is represented by closing units in issue.

The Investment Manager strives to invest subscription monies into investments which meet the Fund's investment objectives whilst maintaining sufficient liquidity to satisfy unitholder redemptions and other outflows within the timeframes set out in the Prospectus.

The Fund is not subject to externally imposed capital requirements.

8. Use of Transition Accounts

The Investment Manager may use transition accounts to facilitate subscriptions and redemptions by transferring assets in-specie. A Subscription Transition Account ("STA") is used to purchase securities, cash and other assets that are consistent with the Fund's investment objective and that substantially replicate the weighting of the same securities, cash and other assets held by the Fund to the extent practicable. A Withdrawal Transition Account ("WTA") is used to liquidate a substantially pro rata portion of the securities, cash and other assets held by the Fund to the extent practicable.

Although assets in a transition account are considered assets of the Fund and are not legally segregated the assets in such an account will be maintained and accounted for separately from the other assets of the Fund. While an STA or a WTA is operating, the unitholder's profits or losses shall be calculated based solely upon the investment experience of the transition account and not the Fund as a whole. Further details can be found in the Prospectus.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

8. Use of Transition Accounts (Continued)

Note that if a transition account has been used to facilitate a unitholder transaction, this report reflects the value of the assets transferred into the STA or the total amount paid from the WTA in relation to the respective issue or redemption of redeemable units. Any gain or loss on the assets whilst they are held in the transition account is also included in this report. The activity occurring in transition accounts during the year ending 31 December 2020 is summarised below:

	Unitholder Subscription Amount	Gain/(Loss) attributed to STA	Value of Units Attributed to Subscribing Unitholders on Dealing Day
	£	£	£
Subscription Transition Accounts	-	-	-
	Value of Units Attributed to Redeeming Unitholders on Dealing Day	Gain/(Loss) attributed to WTA	Amount Paid to Redeeming Unitholders
	£	£	£
Withdrawal Transition Accounts	104,399,476	3,014,265	107,413,741

9. Financial Instruments and Risk Profile

In accordance with its investment objectives and policies, the Fund holds financial assets and financial liabilities which at any one time may comprise the following:

- exchange traded securities; and
- restricted and unquoted securities; and
- cash and short-term receivables and payables arising directly from its operations.

The financial assets held by the Fund principally comprise equities listed on the main London Stock Exchange or traded on AIM.

The carrying value of those financial assets and financial liabilities which are not classified at fair value through profit or loss in the financial statements approximates their fair value at 31 December 2020 and 2019.

The specific risks arising from the Fund's exposure to these financial assets/financial liabilities, the Manager's policies for managing these risks and considerations of going concern, which have been applied throughout the year, are summarised overleaf.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

9. Financial Instruments and Risk Profile (Continued)

Market Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to market price risk arising from its investments in equity securities as disclosed on the Schedule of Investments on pages 24 and 25 of the Financial Statements.

The Investment Manager monitors the Fund's market price risk pursuant to the Fund's investment objectives and policies. Adherence to investment guidelines and to investment and borrowing restrictions mitigates the risk of excessive exposure to any particular type of security or issuer.

Price Sensitivity

At 31 December 2020, if market prices on the schedule of investments had been 20% higher or lower, with all other variables held constant, the net assets attributable to holders of redeemable units for the year would have been £159,187,751 (2019: 15% £155,256,557) higher or lower. The sensitivity measure has been increased to 20% for the year-ending 31 December 2020 due to higher price volatility experienced by the UK equity market during the year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's Prospectus permits a maximum of 20% of the net asset value of the Fund to be invested in overseas investments which may be significantly affected by movements in the exchange rates of such overseas currencies. The Fund did not hold any overseas investments during the years ended 31 December 2020 and 31 December 2019 and its exposure to currency risk is minimal.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A maximum of 5% of the net assets of the Fund may ordinarily be invested in cash and cash equivalents. The income of the Fund may be affected by changes to interest rates. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates, although the value of the underlying deposits or overdraft positions will not be affected.

As at 31 December 2020, substantially all of the Fund's assets are non-interest-bearing equity investments and its exposure to interest rate changes is minimal.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

9. Financial Instruments and Risk Profile (Continued)

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations as they fall due. The Fund's redeemable units are redeemable at the unitholders' option on any monthly dealing day for cash equal to a proportionate share of the Fund's NAV. The Fund is therefore potentially exposed to monthly redemptions by its unitholders, although this is mitigated to some extent by the notice period of ten days which unitholders are required to give for redemption requests. The Fund's investments are primarily listed securities which are considered readily realisable as they are all listed on the main London Stock Exchange or traded on AIM. In the event of material redemption requests a provision is also available to distribute securities and other assets in-specie. Further detail is contained in the Going Concern assessment in the Manager's Report on pages 5-7.

The below table summarises the maturity profile of the Fund's assets and liabilities:

	Less than 1 month	1 to 3 months	Total
as at 31 December 2020	£	£	£
Assets			
Financial assets at fair value through profit or loss	795,938,757	-	795,938,757
Dividend income receivable	357,454	1,494,659	1,852,113
Securities sold receivable	4,336,245	-	4,336,245
Cash and cash equivalents	9,019,696	-	9,019,696
Prepaid ISE registration fee	200	-	200
Total assets	809,652,352	1,494,659	811,147,011
Liabilities			
Management fees payable	1,957,246	-	1,957,246
Subscriptions received in advance	1,773,149	-	1,773,149
Net assets attributable to holders of redeemable units	-	807,416,616	807,416,616
Total liabilities	3,730,395	807,416,616	811,147,011
Liquidity Gap	805,921,957	(805,921,957)	-

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

9. Financial Instruments and Risk Profile (Continued)

Liquidity Risk (Continued)

as at 31 December 2019	Less than 1 month £	1 to 3 months £	Total £
Assets			
Financial assets at fair value through profit or loss	1,035,043,714	-	1,035,043,714
Dividend income receivable	2,406,084	-	2,406,084
Securities sold receivable	17,154,449	-	17,154,449
Cash and cash equivalents	13,041,268	-	13,041,268
Prepaid ISE registration fee	200	-	200
Total assets	1,067,645,715	-	1,067,645,715
Liabilities			
Management fees payable	2,552,786	-	2,552,786
Subscriptions received in advance	3,601,726	-	3,601,726
Net assets attributable to holders of redeemable units	-	1,061,491,203	1,061,491,203
Total liabilities	6,154,512	1,061,491,203	1,067,645,715
Liquidity Gap	1,061,491,203	(1,061,491,203)	-

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment or cash after the Fund has fulfilled its responsibilities. Such transactions are limited as all of the Fund's investment settlement conventions are delivery versus payment. The amount due from brokers as at 31 December 2020 was £4,336,245 (2019: £17,154,449). The Investment Manager conducts a counterparty risk assessment of its brokers on an annual basis. There were no potential issues with credit quality of brokers noted which would affect the recoverability of this balance.

There is also risk of default relating to any dividend income which has accrued at 31 December 2020 but has not yet been paid to the Fund. The amount of income which was receivable at the year-end was £1,852,113 (2019: £2,406,084).

Insolvency of Northern Trust Fiduciary Services (Ireland) Limited ("NTFSIL") or one of its agents or affiliates may cause the Fund's rights with respect to its assets to be delayed.

NTFSIL is the appointed Depositary of the Fund, responsible for the safe-keeping of assets. NTFSIL has appointed The Northern Trust Company ("TNTC") as its global sub-custodian. Both NTFSIL and TNTC are wholly owned subsidiaries of Northern Trust Corporation ("NTC"). As at year-end date 31 December 2020, NTC had a long-term credit rating from Standard & Poor's of A+ (31 December 2019: A+).

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

9. Financial Instruments and Risk Profile (Continued)

Credit Risk (Continued)

TNTC (as global sub-custodian of NTFSIL) does not appoint external sub-custodians within the U.S., the U.K., Ireland and Canada. However, in all other markets, TNTC appoints local external sub-custodians.

NTFSIL, in the discharge of its depositary duties, verifies the Fund's ownership of Other Assets, (as defined under Other Assets in Art 21 (8)(b) of Directive 2011/61/EU), by assessing whether the Fund holds the ownership based on information or documents provided by the Fund or where available, on external evidence.

TNTC, in the discharge of its delegated depositary duties, holds in custody (i) all financial instruments that may be registered in a financial instruments account opened on the books of TNTC and (ii) all financial instruments that can be physically delivered to TNTC. TNTC ensures all financial instruments (held in a financial instruments account on the books of TNTC) are held in segregated accounts in the name of the Fund, clearly identifiable as belonging to the Fund, and distinct and separately from the proprietary assets of TNTC, NTFSIL and NTC. As a result, these financial assets are not considered to be subject to credit risk.

In addition TNTC, as banker, holds cash of the Fund on deposit. Such cash is held on the Statement of Financial Position of TNTC. In the event of insolvency of TNTC, in accordance with standard banking practice, the Fund will rank as an unsecured creditor of TNTC in respect of any cash deposits. It is therefore considered that the cash and cash equivalents held by the Depositary at year-end are subject to credit risk.

In summary, the carrying amounts subject to credit risk at 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	£	£
Cash and cash equivalents	9,019,696	13,041,268
Securities sold receivable	4,336,245	17,154,449
Dividend income receivable	1,852,113	2,406,084
Carrying amount representing maximum credit risk exposure	15,208,054	32,601,801

The Responsible Party (the Directors of the Manager or its delegate(s)) manages risk by monitoring the credit quality and financial position of the Depositary and such risk is further managed by the Depositary monitoring the credit quality and financial positions of sub-custodian appointments.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

10. Management Fees

The Manager receives on a quarterly basis a management fee calculated and accrued as of each Valuation Point (as defined in the Prospectus) at an annual rate of 1.00% of NAV for class A units and 0.85% for class B units. For the year ended 31 December 2020, the Manager earned management fees of £8,499,214 (2019: £9,902,058) of which £1,957,246 (2019: £2,552,786) remained payable as of 31 December 2020.

From this fee the Manager pays the Investment Manager, Trustee, Depositary, Administrator and the Auditor, as well as any legal fees incurred in the offering of the Fund, with the exception of the ISE registration fee which the Fund settles (see Note 2.f)). As explained in Note 1, rebates of the management fee may be agreed between the Manager and unitholder. The cost of purchasing additional units on behalf of unitholders in respect of fee rebates is also borne by the Manager. During the year ended 31 December 2020 rebates of £1,213,714 (2019: £1,131,638) were reinvested for Class A unitholders.

11. Related Party Disclosures

The Manager, the Directors of the Manager and the Trustee are considered related parties to the Fund as they are deemed to be key management personnel because they have the authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly. By extension, their connected parties are also considered related parties to the Fund. Details of fees paid to the Manager from the Fund during the year ended 31 December 2020 are contained in Note 10. Certain of the Directors of the Manager and the Trustee are paid directly by the Manager.

The Investment Manager, its partners, staff and their connected parties are also considered related parties to the Fund because the Manager entity is a wholly owned subsidiary of the Investment Manager. The Investment Manager's fees are also paid directly by the Manager.

Details of certain Directors' of the Manager and their connected parties' beneficial interests in the Fund as at the 31 December 2020 are contained in the Manager's Report on page 5, whilst the interests in the Fund of the Investment Manager, its partners, staff and their connected parties are contained in the Investment Manager's report on page 12. There is no ultimate controlling party in the Fund.

There is no material contract or any contract for provision of services in place which the Fund is a party to and in which any Director is or was materially interested in.

12. Capital Commitment

As at 31 December 2020 and 31 December 2019 the Fund had no capital commitments outstanding.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

13. Significant Events during the year

There have been no significant events during the year which impact on the Financial Statements for the year ended 31 December 2020. However, the emergence of the COVID-19 pandemic in the first quarter of 2020 has led to major volatility in the global economy and disruption to the social fabric of many countries throughout year. The Manager is continuing to monitor business practices, taking into account appropriate guidance. The parties providing services to the Fund have each implemented risk mitigation strategies and Business Continuity Plans to ensure that the Fund can operate under normal parameters.

14. Events after the Statement of Financial Position Date

The distributions of £0.538000 (£14,850,681) per class A unit and £0.576217 (£739,021) per class B unit (amounting to £15,589,702) representing surplus net income per unit for 2020 were reinvested effective 4 January 2021 or paid on 7 January 2021.

The management fee accrual of £1,957,246 in respect of the fourth quarter of 2020 has also been settled. The fourth quarter rebate of £244,773 was reinvested into the Fund on behalf of eligible Class A unitholders on 1 February 2021.

Excluding the reinvestment of dividend distributions and rebates, additional net redemptions of £12,839,004 have been paid out of the Fund since the year end.

There have been no other events subsequent to the year end which require disclosure adjustments in the Financial Statements for the year ended 31 December 2020.

15. Approval of Financial Statements

The Financial Statements were approved by the Directors of the Manager and authorised for issue on 12 February 2021.

THE HERONBRIDGE UNITED KINGDOM EQUITY FUND**Distribution Table (unaudited)**

For the year ended 31 December 2020

2020

	Net Income	Equalisation	Total Distributable Amount	Distributed Amount
	£	£	£	£
Class A units	17,423,330	(2,572,649)	14,850,681	14,850,681
Class B units	804,142	(65,121)	739,021	739,021
	<u>18,227,472</u>	<u>(2,637,770)</u>	<u>15,589,702</u>	<u>15,589,702</u>

The dividend distributions were declared on 5 January 2021; accordingly, in line with accounting requirements, this was not accrued at the year end.

2019

	Net Income	Equalisation	Total Distributable Amount	Distributed Amount
	£	£	£	£
Class A units	30,310,526	(250,295)	30,060,231	30,060,231
Class B units	2,553,189	(941,513)	1,611,676	1,611,676
	<u>32,863,715</u>	<u>(1,191,808)</u>	<u>31,671,907</u>	<u>31,671,907</u>