



Unicorn Investment Funds

Annual Report 30 September 2017

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Directory

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(Authorised and regulated by the Financial Conduct Authority)

Depositary

HSBC Bank plc
8 Canada Square
London E14 5HQ
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Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Statement of Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Conduct Authority's Collective Investment Schemes sourcebook ("the COLL sourcebook") requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue/expenses and of the net gains/losses on the property of the Company for that year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, including Financial Reporting Standard 102 'The financial reporting standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and in accordance with the Statement of Recommended Practice for Financial Statements of UK Authorised Funds issued by the Investment Association (IA) in May 2014, subject to any material departures, which are required to be disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Certification of the Annual Report by the Authorised Corporate Director

In accordance with the requirements of the Regulations and COLL, we hereby certify the Report on behalf of the ACD, Unicorn Asset Management Limited.

Directors
Unicorn Asset Management Limited
30 January 2018

Statement of the Depositary's Responsibilities in Respect of the Company

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

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interest of the Company and its investors. The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM'), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Report of the Depositary to the Shareholders of Unicorn Investment Funds ('the Company') for the year ended 30 September 2017

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

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

HSBC Bank plc
30 January 2018

Independent Auditor's report to the Shareholders of Unicorn Investment Funds

Opinion

We have audited the financial statements of Unicorn Investment Funds (the 'company') for the year ended 30 September 2017. These financial statements comprise together the statement of accounting policies and risk management policies and the individual financial statements of each of the following sub-funds of the company:

- Unicorn UK Growth Fund
- Unicorn Mastertrust Fund
- Unicorn UK Smaller Companies Fund
- Unicorn UK Income Fund
- Unicorn Outstanding British Companies Fund
- Unicorn UK Ethical Income Fund

The individual financial statements for each of the company's sub-funds comprise the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables.

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

In our opinion the financial statements:

- give a true and fair view of the financial position of the company and each of the sub-funds as at 30 September 2017 and of the net revenue and net capital gains/(losses) on the scheme property of the company and each of the sub-funds for the year then ended, and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014, the Collective Investment Schemes sourcebook, and the company's Instrument of Incorporation.

Basis for opinion

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

Who we are reporting to

This report is made solely to the company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The Authorised Corporate Director is responsible for the other information. The other information comprises the information included in the annual report set out on pages 10 to 125, other than the financial statements and our auditor's report

Independent Auditor's report to the Shareholders of Unicorn Investment Funds

continued

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit, and
- the information given in the Authorised Corporate Director's Report (which comprises the Directory on page 1, the Authorised Status on page 123 and for each of the Sub-funds the Investment Objective and Policy, the Investment Manager's report, Portfolio Statement and Risk and Reward Profile) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if in our opinion:

- proper accounting records for the company or a sub-fund have not been kept, or
- the financial statements are not in agreement with those accounting records.

Responsibilities of the Authorised Corporate Director

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities on page 2, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Authorised Corporate Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London, United Kingdom

30 January 2018

Accounting Policies and Risk Management Policies

for the year ended 30 September 2017

The financial statements for Unicorn Investment Funds comprises the individual financial statements for each Sub-fund and the accounting policies and risk management policies below:

1. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 and the Statement of Recommended Practice (“SORP”) for Financial Statements of UK Authorised Funds issued by the Investment Association (IA) in May 2014.

The financial statements have been prepared on the going concern basis.

The authorised Status and head office of the Sub-fund can be found within the general information starting on page 123.

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

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following basis:

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

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

Derivative returns have been treated as either revenue or capital depending on the motives and circumstances on acquisition.

All revenue includes withholding taxes but excludes irrecoverable tax credits.

(c) Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. The tax accounting treatment follows the treatment of the principal amount.

(d) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue for the year on an accruals basis.

(e) Allocation of revenue and expenses to multiple share classes

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

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

(f) Taxation

Corporation tax is provided at 20% on revenue, after deduction of expenses.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Accounting Policies and Risk Management Policies

continued

1. Accounting Policies

continued

(g) Distribution policy

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

At the year end, there were no items of a capital nature.

Unicorn UK Income and Unicorn Ethical Income Sub-funds distribute quarterly.

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

In the case of debt securities any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation. This may constrain the capital growth of the Sub-fund.

For the purpose of enhancing revenue entitlement, the annual management fee payable to the ACD is allocated to capital on Unicorn UK Income and Unicorn UK Ethical Income Sub-funds. This will reduce the capital growth of the Sub-funds. All other expenses (except for those relating to the purchase and sale of investments and stamp duty reserve tax), are charged against revenue for the year.

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

(h) Basis of valuation of investments

Quoted investments are valued at close of business bid prices on the last business day of the accounting year excluding any accrued interest in the case of fixed and floating rate interest securities.

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

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

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – Unadjusted quoted price in an active market for an identical instrument.
- Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.
- Level 3 – Valuation techniques using unobservable inputs.

(i) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

Accounting Policies and Risk Management Policies

continued

1. Accounting Policies

continued

(j) Dilution levy

The ACD may charge a discretionary dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example the dilution levy may be charged in the following circumstances: where over a dealing period a Sub-fund has experienced a large level of net sales or redemptions relative to its size, on 'large deals' (being a deal worth 1% or more of the size of the Sub-fund or £15,000, whichever is the lower) where a Sub-fund is in continual decline or increase or in any other case where the ACD is of the opinion that the interest of the shareholders require the imposition of a dilution levy.

2. Risk Management Policies

In pursuing its investment objectives, the Sub-funds may hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Fund's operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

In doing so, the ACD accepts market price and interest rate risk in relation to the investment portfolio.

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

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

These policies have been consistent for both years through which these financial statements relate.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested. Investors should consider the degree of exposure of the Sub-funds in the context of all their investments.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD as per the policies as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Sub-funds will be exposed.

Interest rate risk

Interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes. The majority of the Sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date.

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

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

Credit risk

Credit risk arises from the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

There are no net borrowings or unquoted securities and the ACD considers that the Sub-funds have little exposure to credit risk.

Accounting Policies and Risk Management Policies

continued

2. Risk Management Policies

continued

Liquidity risk

Liquidity risk is the risk that a Sub-fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, a Sub-fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Sub-fund, the Sub-funds may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

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

Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Sub-fund has fulfilled its responsibilities which could result in the Sub-funds suffering a loss. The ACD minimises the risk by conducting trades through only the most reputable counter parties.

Derivatives

The Sub-funds may enter into derivative contracts for Efficient Portfolio Management (EPM) purposes. The purposes of EPM must be to achieve reduction of risk, the reduction of cost, or the generation of additional income or capital with an acceptably low level of risk and the use of these instruments must not cause the Sub-fund to stray from its investment objectives.

Any EPM transaction must be economically appropriate and the exposure fully covered. The ACD monitors the use of derivatives to ensure EPM rules are satisfied.

In the opinion of the ACD there is no sophisticated derivative use within the Sub-funds and accordingly a sensitivity analysis is not presented.

Fair value of financial assets and liabilities

Investments disclosed as at the balance sheet date are at fair value. Current assets and liabilities disclosed in the balance sheet are at amortised cost which is approximate to fair value.

Investment Objective and Policy

The Unicorn UK Growth Fund aims to achieve long term capital growth through investment in a portfolio of UK equities.

The Sub-fund has issued A Income, B Income and Overseas Income shares.

Investment Manager's Report

for the year ended 30 September 2017

For the twelve months ended 30 September 2017, the Sub-funds B Income shares produced a total return of 31.6%, outperforming the UK All Companies sector, which generated an average total return of 11.8%.

The period under review was a strong one for the UK Growth Fund, driven largely by healthy operational and financial performance from a significant number of our long term holdings. An increase in M&A activity in the first half of the period under review, a continued strong weighting towards small and mid-caps and participation in a modest number of successful IPOs also contributed to performance during the year.

The long term strategy of the Sub-fund remains unchanged. We continue to identify, and invest in high quality, profitable companies, the majority of which enjoy exposure to attractive long term structural growth themes. Our investment mandate enables us to invest in companies of any size, and the portfolio has a broad market cap range, from constituents of the FTSE 100 Index, down to a selection of smaller AIM-quoted companies. The overall portfolio has however remained skewed towards the small and mid-cap area of the market, where we believe growth prospects are more sustainable and valuations tend to be more attractive.

As outlined in our interim report, at the larger end of the market cap scale we find that companies offering even fairly modest earnings growth tend to command premium valuations. At the other end of the scale, in the micro-cap end of the market, companies tend to be at a much earlier stage in their development and investments often have a more binary outcome. The Unicorn UK Growth Fund sits in the middle of this range, backing established businesses, which are profitable and cash generative and which offer a demonstrable track record. The rewards for good stock selection in this area of the market can be significant, as investors can benefit from the delivery of sustainable earnings growth together with the potential for a valuation re-rating as market awareness improves.

The underlying fundamentals of the investee companies within the portfolio remain robust. At the end of the period all our investee companies were forecast to report a profit at their next financial year end, while 44 out of 49 holdings were expected to pay a dividend. Although the overall dividend yield of the Sub-fund remains modest, we nonetheless admire the discipline imposed by regular cash returns to shareholders and believe the year on year on growth in the dividend payment of 23% is an encouraging sign for investors. A high proportion of our investee companies also maintain strong balance sheets, with 18 investee companies currently enjoying a net cash position.

As outlined above, continued strong operational and financial performance from many of our longer term holdings was the largest individual driver of Sub-fund performance during the period, with the longstanding overweight position in Software and Computer services featuring as a key component of this overall trend. Increased levels of corporate activity, through IPOs and takeover approaches, also provided a supportive backdrop.

The Software and Computer Services sector commanded an average portfolio weighting of over 25% during the period under review, significantly ahead of an average FTSE All Share weighting of less than 1%. This area of the portfolio generated a total return of 25% during the period, providing a contribution of 638 basis points (bps) to Sub-fund performance. Long term holdings within this sector which are worthy of mention include First Derivatives (187 bps), FDM (155 bps), dotDigital (96 bps), Accesso Technology (91 bps) and GB (83 bps).

Following a similar theme, the second largest sector contribution came from the Leisure Goods sector, which was driven by one individual investment in the computer game developer Frontier Developments. Despite commanding an average position size of less than 4% during the period the stock (and therefore the sector) added an impressive 621 bps to Sub-fund performance during the period. Frontier Developments enjoyed success with the launch of its second self-published title during the year and also revealed details of its third game, Jurassic World, which is due for release next year to coincide with the new Jurassic World movie. We have held the stock since 2014 and are delighted to see that the progress management have made during the last three years is now being rewarded with a period of strong share price performance. Despite locking in profits through partial disposals totalling £1.3m, Frontier Developments remains a significant holding, representing 3.0% of total Sub-fund assets at the end of September 2017.

Investment Manager's Report

continued

Other notable long term contributors to performance included; Somero Enterprises (177 bps), a manufacturer of laser guided concrete screeding machines; Conviviality Retail (150 bps), an alcohol retail and distribution business; Hostelworld (145 bps), a global online booking platform for hostels and James Cropper (133 bps), an innovative paper and specialist materials business.

The Sub-fund participated in four Initial Public Offerings (IPOs) during the period. Pleasingly all four made positive initial contributions to performance, with a cumulative total return of 360 bps. In November 2016, the Sub-fund backed the IPO of Warpaint London, a cosmetics company. This investment contributed 141 bps to performance. In early 2017, we also invested in Xafinity, a provider of support services to the pensions industry. This investment delivered 37 bps to Sub-fund performance. In April, the Sub-fund also backed the IPO of Alpha FX, an innovative and high growth, foreign currency trading business. Alpha FX made a 158 bps contribution to Sub-fund performance.

During the first half of the period under review, five positions were exited in full following bid approaches, generating a combined contribution to performance of 193 bps. Four of these companies; Lavendon, Digital Globe Services, E2V Technologies and UK Mail have ended up in foreign ownership as overseas buyers looked to take advantage of Sterling weakness immediately following the EU referendum result.

The Sub-fund remains high conviction in nature, ending the period with 49 holdings. During the period, fifteen positions were exited in full and sixteen new positions were initiated. Two further positions were bought and then sold in their entirety during the period. Portfolio turnover during the period was higher than anticipated as a result of an increase in corporate activity, which saw five positions exit the fund as a result of corporate activity.

During such a strong period of positive relative performance the number of stocks which surprised negatively was fairly limited, with only one stock generating a negative return in excess of 100 bps and a further two producing negative contributions in excess than 50 bps.

The largest negative contributor to Sub-fund performance was Quarto, a publisher of illustrated books, which warned that softer consumer demand in the UK and US would impact the performance of the Group. This investment made a negative contribution to performance of 137 bps during the period. Other notable detractors from performance included Secure Trust Bank (-72 bps), a challenger bank, which tightened its lending criteria during the period thereby reducing exposure to high risk, high margin customers and, SQS Software Quality Systems (-56 bps), a software testing business, which announced a slowdown in demand for its higher margin managed services. A decision was taken to exit this position in full during the period.

In addition to the IPOs outlined above, other notable additions to the Sub-fund included; SSP (86 bps), an operator of global travel concessions; Coats Group (74 bps), the world's leading thread manufacturer; Vesuvius (37 bps), the global leader in flow control consumables to the steel industry; Eckoh (22 bps), a software business providing call centre solutions; B&M European Value Retail (20 bps), a discount retailer and Hill & Smith (15 bps), a producer of galvanised infrastructure products.

Looking forward, we expect volatility to remain a feature of UK equity markets, as the Government attempts to negotiate a favourable exit from the European Union. Uncertainty surrounding the tenure of our current Prime Minister is also unhelpful to market sentiment. In addition, weak UK consumer spending may also remain a feature as inflation and the possibility of an increase in interest rates may place further pressure on disposable household income. As active managers, we seek to take advantage of short term periods of negative sentiment in order to enhance investor returns over the longer term.

Despite facing a number of obvious challenges, we believe overall the UK economy remains in fairly robust health. Employment is at record levels and GDP forecasts remain in positive territory. In particular, the digital economy continues to prosper and we remain confident in our long standing and significant exposure to this area of the UK economy.

We continue to believe that a strategy of backing long term structural growth trends, supported by solid company fundamentals, remains a compelling way of successfully navigating through uncertain times.

Portfolio Statement

as at 30 September 2017

Holding	Security	Market value £	% of total net assets 2017
	Oil Equipment Services & Distribution 0.00% (0.25%)		
	Chemicals 1.84% (1.31%)		
26,000	Victrex	616,200	1.84
	Forestry & Paper 2.18% (1.60%)		
41,500	James Cropper*	730,400	2.18
	Construction & Materials 5.14% (2.50%)		
100,000	James Halstead*	438,750	1.31
135,000	Marshalls	587,925	1.76
325,000	Melrose Industries	691,600	2.07
		1,718,275	5.14
	General Industrials 5.54% (0.00%)		
775,000	Coats Group	605,275	1.81
700,000	Macfarlane	483,000	1.44
130,000	Vesuvius	766,350	2.29
		1,854,625	5.54
	Electronic & Electrical Equipment 0.00% (1.71%)		
	Industrial Engineering 4.28% (3.62%)		
47,000	Hill & Smith	592,670	1.78
310,000	Somero Enterprises*	837,000	2.50
		1,429,670	4.28
	Industrial Transportation 4.34% (7.28%)		
250,000	BBA Aviation	746,000	2.23
300,000	Wincanton	705,000	2.11
		1,451,000	4.34
	Support Services 10.70% (10.10%)		
205,000	Clipper Logistics	825,125	2.47
12,500	Ferguson	611,375	1.83
160,000	Midwich*	632,000	1.89
130,000	Restore*	676,000	2.02
120,000	Smart Metering Systems*	834,000	2.49
		3,578,500	10.70
	Automobiles & Parts 0.91% (1.53%)		
210,000	Autins*	304,500	0.91
	Food Producers 1.92% (0.00%)		
105,000	Dairy Crest	643,650	1.92
	Leisure Goods 2.82% (4.53%)		
90,000	Frontier Developments*	945,000	2.82
	Personal Goods 1.99% (0.00%)		
350,000	Warpaint London*	665,000	1.99

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2017
	Food & Drug Retailers 1.90% (1.59%)		
155,000	Conviviality Retail*	636,663	1.90
	General Retailers 5.23% (5.43%)		
165,000	B&M European Value Retail	639,210	1.91
220,000	Card Factory	676,280	2.02
220,000	Saga	435,600	1.30
		1,751,090	5.23
	Media 4.70% (6.81%)		
35,000	4imprint	640,850	1.92
400,000	ITV	698,400	2.09
185,000	Quarto	231,250	0.69
		1,570,500	4.70
	Travel & Leisure 3.36% (3.97%)		
135,000	Hostelworld	479,250	1.43
120,000	SSP	644,400	1.93
		1,123,650	3.36
	Fixed Line Telecommunications 1.95% (4.64%)		
60,000	Telecom Plus	651,600	1.95
	Banks 2.20% (3.29%)		
41,500	Secure Trust Bank	734,550	2.20
	Real Estate Investment & Services 1.92% (1.67%)		
240,000	Grainger	643,440	1.92
	Real Estate Investment Trusts 1.76% (0.00%)		
355,000	LondonMetric Property	589,655	1.76
	Financial Services 3.22% (2.25%)		
110,000	Alpha FX*	517,000	1.55
335,000	Xafinity	559,450	1.67
		1,076,450	3.22
	Software & Computer Services 23.04% (28.05%)		
50,000	Accesso Technology*	925,000	2.77
1,000,000	dotDigital*	690,000	2.06
1,150,000	Eckoh*	580,750	1.74
85,000	FDM	816,425	2.44
40,000	First Derivatives*	1,183,200	3.54
305,000	GB*	1,116,300	3.34
200,000	Iomart*	664,000	1.98
25,000	Micro Focus International	596,500	1.78
187,000	Servelec	461,890	1.38
7,500,000	Shearwater*	281,250	0.84
500,000	Tax Systems*	390,000	1.17
		7,705,315	23.04

Portfolio Statement

continued

 Holding	 Security	 Market value £	 % of total net assets 2017
	Technology Hardware & Equipment 2.85% (1.56%)		
335,000	Amino Technologies*	676,700	2.02
170,000	Ethernity Networks*	277,100	0.83
		953,800	2.85
	Investment assets	31,373,533	93.79
	Net other assets	2,078,208	6.21
	Net assets	33,451,741	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.09.16.

*Quoted on AIM.

Comparative Tables

Change in net assets per share

	A Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	441.78	405.18	383.25
Return before operating charges [^]	145.35	47.35	28.37
Operating charges	-8.62	-7.18	-6.44
Return after operating charges [^]	136.73	40.17	21.93
Distributions	-4.34	-3.57	0.00
Closing net asset value per share	574.17	441.78	405.18
[^] After direct transaction costs of	-2.26	-1.28	-1.25
Performance			
Return after charges	30.95%	9.91%	5.72%
Other information			
Closing net asset value	£4,392,290	£3,694,327	£4,204,103
Closing number of shares	764,974	836,236	1,037,601
Operating charges	1.68%	1.74%	1.70%
Ongoing operating charges*	1.64%	—	—
Direct transaction costs	0.44%	0.31%	0.33%
Prices			
Highest share price	586.27	448.77	411.05
Lowest share price	426.72	371.04	356.80

	B Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	443.25	405.93	383.33
Return before operating charges [^]	144.94	48.11	28.31
Operating charges	-4.80	-4.11	-3.61
Return after operating charges [^]	140.14	44.00	24.70
Distributions	-8.20	-6.68	-2.10
Closing net asset value per share	575.19	443.25	405.93
[^] After direct transaction costs of	-2.27	-1.28	-1.26
Performance			
Return after charges	31.62%	10.84%	6.44%
Other information			
Closing net asset value	£29,000,737	£14,179,020	£12,678,221
Closing number of shares	5,041,920	3,198,847	3,123,291
Operating charges	0.93%	0.99%	0.95%
Ongoing operating charges*	0.89%	—	—
Direct transaction costs	0.44%	0.31%	0.33%
Prices			
Highest share price	590.93	452.66	413.53
Lowest share price	427.84	374.06	358.26

Comparative Tables

continued

Change in net assets per share

	Overseas Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	102.84	94.22	88.98
Return before operating charges [^]	33.64	11.14	6.74
Operating charges	-2.00	-1.67	-1.50
Return after operating charges [^]	31.64	9.47	5.24
Distributions	-1.11	-0.85	0.00
Closing net asset value per share	133.37	102.84	94.22
[^] After direct transaction costs of	-0.52	-0.30	-0.29
Performance			
Return after charges	30.77%	10.05%	5.89%
Other information			
Closing net asset value	£58,714	£45,760	£50,091
Closing number of shares	44,024	44,497	53,162
Operating charges	1.68%	1.74%	1.70%
Ongoing operating charges*	1.64%	—	—
Direct transaction costs	0.44%	0.31%	0.33%
Prices			
Highest share price	136.28	104.36	95.59
Lowest share price	99.19	86.29	82.96

*The Net Asset Value of the Sub-fund increased from £18,242,000 to £33,742,000 during the year. Taking an average of the daily net asset values for the last month of the year has the effect of decreasing operating charges by 0.04%. The ACD believes this to be more representative of the charges going forward.

Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

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

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

Comparative Tables

continued

Risk and reward profile

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

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

The Sub-fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. During the year under review the category changed from 5 to 4, this is due to the price volatility of the Sub-fund. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Sub-fund:

- The level of targeted income is not guaranteed and may not be achieved.
- This Sub-fund may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Sub-fund's value than if it held a larger number of investments.
- Smaller company shares, can be riskier as they may be more difficult to buy and sell and their share prices may fluctuate more than those of a larger company.
- For further risk information please see the prospectus.

Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Statement of Total Return

for the year ended 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
Income					
Net capital gains	2		5,522,870		1,466,321
Revenue	3	591,873		422,868	
Expenses	4	(238,251)		(183,657)	
Interest payable and similar charges	4	–		(8)	
Net revenue before taxation		353,622		239,203	
Taxation	5	(11,370)		(8,241)	
Net revenue after taxation			342,252		230,962
Total return before distributions			5,865,122		1,697,283
Distributions	6		(342,249)		(230,969)
Change in net assets attributable to Shareholders from investment activities			5,522,873		1,466,314

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2017

	£	30.09.17 £	£	30.09.16 £
Opening net assets attributable to Shareholders		17,919,107		16,932,415
Amounts receivable on issue of shares	17,683,040		8,725,612	
Less: Amounts payable on cancellation of shares	(7,673,279)		(9,205,234)	
		10,009,761		(479,622)
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		5,522,873		1,466,314
Closing net assets attributable to Shareholders		33,451,741		17,919,107

The notes on pages 20 to 27 form an integral part of these Financial Statements.

Balance Sheet

as at 30 September 2017

	Note	30.09.17		30.09.16	
		£	£	£	£
ASSETS					
Fixed Assets					
Investments			31,373,533		16,788,646
Current Assets					
Debtors	7	471,644		83,467	
Cash and bank balances	9	2,230,439		1,338,766	
Total current assets			2,702,083		1,422,233
Total assets			34,075,616		18,210,879
LIABILITIES					
Investment liabilities			–		–
Creditors					
Distribution payable		(447,143)		(243,767)	
Other creditors	8	(176,732)		(48,005)	
Total creditors			(623,875)		(291,772)
Total liabilities			(623,875)		(291,772)
Net assets attributable to Shareholders			33,451,741		17,919,107

The notes on pages 20 to 27 form an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 September 2017

1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 6 to 8.

2. Net Capital Gains

	30.09.17	30.09.16
	£	£
Non-derivative securities	5,528,353	1,469,426
Transaction charges	(5,483)	(3,105)
Net capital gains	5,522,870	1,466,321

3. Revenue

	30.09.17	30.09.16
	£	£
UK dividends: Ordinary	474,495	344,065
Overseas dividends	99,444	78,603
Property Income Distributions	17,795	–
Bank interest	139	200
Total revenue	591,873	422,868

4. Expenses

	30.09.17	30.09.16
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	201,559	150,655
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	17,895	12,429
Safe custody and other bank charges	1,032	770
	18,927	13,199

Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.17 £	30.09.16 £
Other expenses:		
Audit fee (including VAT)	9,540	9,633
Listing fees	3,187	3,572
Legal fees	2,464	3,621
Printing costs	2,574	2,977
	17,765	19,803
Expenses	238,251	183,657
Interest payable and similar charges	–	8
Total	238,251	183,665

The charges for Registration and Administration are met by the ACD.

5. Taxation	30.09.17 £	30.09.16 £
(a) Analysis of charge in the year:		
Overseas tax	11,370	8,241
Total tax charge (note 5b)	11,370	8,241
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	353,622	239,203
Corporation tax at 20%	70,724	47,841
Effects of:		
UK dividends	(94,899)	(68,813)
Movement in surplus management expenses	44,063	36,692
Overseas tax expensed	11,370	8,241
Non-taxable overseas earnings	(19,888)	(15,720)
Total tax charge (note 5a)	11,370	8,241

(c) Deferred tax

At the year end there is a potential deferred tax asset of £679,761 (2016: £635,698) in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6. Distributions

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

		30.09.17	30.09.16
		£	£
Final distribution	30.09.17	447,143	243,767
Revenue deducted on cancellation of Shares		49,385	31,312
Revenue received on issue of Shares		(154,279)	(44,110)
Distributions		342,249	230,969

Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		342,252	230,962
Expenses allocated to capital		–	7
Undistributed revenue brought forward		1	1
Undistributed revenue carried forward		(4)	(1)
Distributions		342,249	230,969

7. Debtors

		30.09.17	30.09.16
		£	£
Amounts receivable on issues		407,933	23,954
Accrued income:			
Dividends receivable		61,105	56,486
Overseas tax recoverable		490	618
Prepaid expenses:			
Legal fee		1,345	1,511
Listing fee		771	898
Total debtors		471,644	83,467

Notes to the Financial Statements

continued

8. Other Creditors	30.09.17	30.09.16
	£	£
Amounts payable on cancellations	96,888	22,476
Purchases awaiting settlement	36,638	–
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	22,813	13,413
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	9,313	1,429
Safe custody and other bank charges	214	67
	9,527	1,496
Other expenses:		
Audit fee (including VAT)	9,270	9,120
Printing costs	1,596	1,500
	10,866	10,620
Total other creditors	176,732	48,005
9. Cash and Bank Balances	30.09.17	30.09.16
	£	£
Cash and bank balances	2,230,439	1,338,766
Cash and bank balances	2,230,439	1,338,766

Notes to the Financial Statements

continued

10. Related Party Transactions

Management charges paid to the ACD, Unicorn Asset Management Ltd are shown in note 4, the amounts due at the year end in respect of Management fees are shown in note 8.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

Unicorn Asset Management Ltd and its associates had the following shareholdings in the Sub-fund:

	Held at 30.09.17	Change in period	Held at 30.09.16
B Income Shares			
Colin Howell - Chairman	19,600	–	19,600
Jean Howell - Chairman's wife	3,600	–	3,600
Philip John - Finance and Operations Director	15,175	–	15,175
Overseas Income Shares			
Unicorn Asset Management Ltd	10,081	81	10,000

Unicorn AIM VCT Plc, a company for which Unicorn Asset Management Ltd acts as investment manager, held shares in the Sub-fund as follows:

	30.09.17	30.09.16
B Income Shares	10.00%	15.76%

At the year end the Sub-fund did not hold shares in any of the other Sub-funds within the Unicorn Investment Funds.

11. Contingent Liabilities and Outstanding Commitments

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

12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 8 to 9.

Numerical disclosures relating to the Sub-fund are as follows:

Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £3,137,353 (2016: £1,678,865).

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

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

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

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

30.09.17

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	6,839	6,839
Pound sterling	2,230,439	31,826,301	34,056,740
United States dollar	–	12,037	12,037
	2,230,439	31,845,177	34,075,616

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	623,875	623,875
	623,875	623,875

30.09.16

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	5,576	5,576
Pound sterling	1,338,766	16,860,647	18,199,413
United States dollar	–	5,890	5,890
	1,338,766	16,872,113	18,210,879

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	291,772	291,772
	291,772	291,772

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

30.09.17

Analysis of purchases	Net purchase cost	Commissions paid		Taxes		Purchases before transaction cost
	£	£	%	£	%	£
Equities	16,829,980	34,889	0.21%	49,672	0.30%	16,745,419
Corporate actions	(44,528)	–	0.00%	–	0.00%	–
Total purchases after commissions and tax	16,785,452					
Analysis of sales	Net sale proceeds	Commissions paid		Taxes		Sales before transaction cost
	£	£	%	£	%	£
Equities	7,728,919	15,114	0.20%	68	0.00%	7,744,101
Total sales after commissions and tax	7,728,919					
Commission as a % of the average net assets	0.22%					
Taxes as a % of the average net assets	0.22%					

30.09.16

Analysis of purchases	Net purchase cost	Commissions paid		Taxes		Purchases before transaction cost
	£	£	%	£	%	£
Equities	5,993,627	12,752	0.21%	20,174	0.34%	5,960,701
Corporate actions	400,400	–	0.00%	–	0.00%	400,400
Total purchases after commissions and tax	6,394,027					
Analysis of sales	Net sale proceeds	Commissions paid		Taxes		Sales before transaction cost
	£	£	%	£	%	£
Equities	6,733,938	17,036	0.25%	80	0.00%	6,751,054
Total sales after commissions and tax	6,733,938					
Commission as a % of the average net assets	0.18%					
Taxes as a % of the average net assets	0.12%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 15 and 16. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

Notes to the Financial Statements

continued

14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2017 is 1.42% (2016: 1.47%).

15. Fair Value Disclosure

Valuation technique	30.09.17		30.09.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 [^]	31,373,533	–	16,788,646	–
Level 2 ^{^^}	–	–	–	–
Level 3 ^{^^^}	–	–	–	–
	31,373,533	–	16,788,646	–

[^] Level 1: Unadjusted quoted price in an active market for an identical instrument.

^{^^} Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

^{^^^} Level 3: Valuation techniques using unobservable inputs.

16. Shareholders Funds

	A Income	B Income	Overseas Income
Opening number of Shares	836,236	3,198,847	44,497
Shares issued	176,742	3,057,942	105,111
Shares cancelled	(163,882)	(1,298,540)	(105,584)
Shares converted	(84,122)	83,671	–
Closing number of Shares	764,974	5,041,920	44,024

Distribution Table

for the year ended 30 September 2017

Income Share Distributions

Share class	Distribution	Shares	Net revenue p	Equalisation p	Distribution payable 2017 p	Distribution paid 2016 p
A	Final	Group 1	4.3396	–	4.3396	3.5688
		Group 2	2.1424	2.1972	4.3396	3.5688
B	Final	Group 1	8.2004	–	8.2004	6.6757
		Group 2	2.6744	5.5260	8.2004	6.6757
Overseas	Final	Group 1	1.1098	–	1.1098	0.8494
		Group 2	0.4338	0.6760	1.1098	0.8494

Final period: 01.10.16 - 30.09.17

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

Investment Objective and Policy

The Unicorn Mastertrust Fund aims to achieve long term capital growth by investing in a wide range of listed investments companies.

The Sub-fund has issued A Income, B Income and Overseas Income shares.

Investment Manager's Report

for the year ended 30 September 2017

For the twelve months ended 30 September 2017, Unicorn Mastertrust's B Income shares produced a return of 20.1%. Over the same period, the overall UK equity market appreciated by 11.7%. The average return achieved by Investment Companies was 16.9% and the average return in the Flexible Investment fund peer group was 9.2%. The Sub-fund was invested in 54 companies at the year end.

Global equity markets made impressive progress during the period under review, despite continuing uncertainties surrounding the ongoing Brexit negotiations, the election of Donald Trump, the tapering of Quantitative Easing and heightened political tensions around the world. Although all of these potential headwinds remain in place, investors can draw comfort from the fact that global economic growth is relatively robust.

The vast majority of Mastertrust's underlying investments produced strong share price gains over the course of the year ending 30 September 2017. Significant performance contributions came from Standard Life European Private Equity Trust (+27.8%), Polar Capital Global Financials Trust (+33.5%), Herald Investment Trust (+34.0%), Monks Investment Trust (+35.4%), BlackRock Throgmorton Trust(+32.0%), Independent Investment Trust (+47.7%), Templeton Emerging Markets Investment Trust (+30.0%), Foreign & Colonial Investment Trust (+21.1%), BlackRock World Mining Trust (+20.1%), Artemis Alpha Trust (+21.3%), Baillie Gifford Shin Nippon (+27.9%) and Acorn Income Fund (+20.1%). In addition, Mastertrust's investment in Better Capital (2009), which returned the bulk of its value in cash in July 2017, appreciated by 24.2%. The only meaningful detractor from performance was City Natural Resources High Yield Trust where the share price declined by 4.3%.

Activity within the portfolio featured the sale of Mastertrust's investments in F&C Private Equity Trust and Electra Private Equity and a reduction in the holding in Fidelity Asian Values. New investments were established in Invesco Asia Trust, which subsequently returned 15% of its share capital via a tender offer, Pantheon International Redeemable Shares, which announced proposals for a Share Capital Consolidation on 28 September 2017, Aberforth Smaller Companies Trust and Gresham House Strategic. Additional shares were acquired in existing portfolio investments in Polar Capital Global Financials Trust, Fidelity European Values, Gabelli Values Plus+ Trust, ICG Enterprise Trust, The Alliance Trust, Biotech Growth Trust, Fidelity Special Values, Artemis Alpha Trust, Law Debenture Corporation, BlackRock Throgmorton Trust, JPMorgan European Smaller Companies Trust, Monks Investment Trust and Baillie Gifford Shin Nippon.

Average discounts within the investment companies sector continued to narrow from the 9% level established in the wake of the July 2016 Brexit referendum and ended to period under review at less than 2%. The seemingly inexorable increase in the size and number of investment companies with alternative asset mandates, particularly those that aim to deliver an attractive income stream, has altered the profile of the sector in that funds investing primarily in quoted equities now represent just 54% of the overall investment universe. As at 30 September 2017 alternative asset investment companies were trading at an average premium to net asset value of 7.8% whereas those investing in equities were trading at an average discount of 5.1%. Mastertrust's portfolio continues to be heavily weighted towards conventional equity investment companies although your manager will endeavour to be alert to investment opportunities in the alternative space as and when they occur.

It is encouraging to note that retail investor interest in investment companies continues to grow and that the attractions of the trust structure are becoming more widely recognised. Many investment companies have reduced management fees in the face of increased competition while some have introduced tiered fee structures which pass on some of the economies of scale to underlying investors. Meanwhile share buy-back activity has continued to reduce discount volatility and marginally enhance net asset value performance.

Investment Manager's Report

continued

At the period, the Sub-fund held a relatively high percentage of its asset value in cash. This weighting reflected both a cautious approach taken towards equity markets during the third quarter of the calendar year and a lack of particularly compelling investment opportunities in the investment companies universe, rather than a prediction of an impending stock market correction. While such a correction will inevitably come, no doubt when market participants least expect it, your manager remains convinced of the attractions of investment companies and their ability to deliver solid returns to investors over the long term in both absolute and relative terms.

Portfolio Statement

as at 30 September 2017

Holding	Security	Market value £	% of total net assets 2017
Equity Investment Instruments 82.31% (93.32%)			
400,000	Aberdeen Latin American Income Fund	304,000	0.55
400,000	Aberdeen New Dawn Investment Trust	888,000	1.62
600,000	Aberdeen Private Equity Fund	762,000	1.39
70,000	Aberforth Smaller Companies Trust	913,500	1.66
23,500	Aberforth Split Level Trust	–	–
260,000	Acorn Income Fund^^	1,128,400	2.05
271,344	Apax Global Alpha	407,016	0.74
343,000	Artemis Alpha Trust	987,840	1.80
105,000	Baillie Gifford Japan Trust	752,850	1.37
160,000	Baillie Gifford Shin Nippon	1,181,600	2.15
170,531	Better Capital	92,087	0.17
17,939	BH Global	241,818	0.44
142,500	Biotech Growth Trust	1,175,625	2.14
287,000	BlackRock Throgmorton Trust	1,266,388	2.30
332,500	BlackRock World Mining Trust	1,202,819	2.19
155,000	British Empire Trust	1,071,825	1.95
46,800	Caledonia Investment	1,255,176	2.28
81,500	Candover Investments	100,245	0.18
535,000	City Natural Resources High Yield Trust	592,513	1.08
260,000	Edinburgh Dragon Trust	899,600	1.64
157,791	Fidelity Asian Values	585,799	1.07
300,000	Fidelity European Values	661,800	1.20
380,000	Fidelity Special Values	924,350	1.68
251,000	Foreign & Colonial Investment Trust	1,517,295	2.76
600,000	Gabelli Values Plus + Trust	772,500	1.41
129,236	Gresham House Strategic*	1,090,752	1.98
90,000	Hansa Trust 'A'	855,000	1.56
85,000	HarbourVest Global Private Equity	1,029,350	1.87
137,000	Henderson Smaller Companies Investment Trust	1,085,040	1.97
121,000	Herald Investment Trust	1,329,790	2.42
162,500	ICG Enterprise Trust	1,215,500	2.21
160,000	Independent Investment Trust	940,800	1.71
252,100	Invesco Asia Trust	695,796	1.26
298,845	JPMorgan European Smaller Companies Trust	1,165,496	2.12
175,000	Law Debenture Corporation	1,032,500	1.88
63,439	LMS Capital	28,548	0.05
500,000	Marwyn Value Investors	835,000	1.52
180,000	Monks Investment Trust	1,262,700	2.30
105,000	Montanaro UK Smaller Companies Investment Trust	588,000	1.07
86,591	New Star Investment Trust	86,591	0.16
35,000	North Atlantic Smaller Companies Investment Trust	913,500	1.66
50,000	Pantheon International	930,000	1.69
15,000	Pantheon International Redeemable Shares	273,750	0.50
1,010,000	Polar Capital Global Financials Trust	1,353,400	2.46
46,011	RENN Universal Growth Investment Trust^	32,890	0.06
25,000	RIT Capital Partners	484,750	0.88

Portfolio Statement

continued

 Holding	 Security	 Market value £	 % of total net assets 2017
Equity Investment Instruments (continued)			
320,000	Schroder Asian Total Return Investment	1,049,600	1.91
355,000	Schroder UK Growth Fund	611,488	1.11
300,000	Seneca Global Income & Growth Trust	528,000	0.96
450,000	Standard Life European Private Equity Trust	1,536,750	2.79
459,434	Strategic Equity Capital	1,038,321	1.89
162,000	Templeton Emerging Markets Investment Trust	1,210,140	2.20
155,000	The Alliance Trust	1,109,800	2.02
346,000	TR Property Investment Trust	1,251,828	2.28
		45,250,126	82.31
Investment assets		45,250,126	82.31
Net other assets		9,722,155	17.69
Net assets		54,972,281	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.09.16.

^This is a delisted security and has been valued at the Manager's best assessment of its fair value.

^^Represents investment into a related party of the Investment Manager (note 10).

*Quoted on AIM.

Comparative Tables

Change in net assets per share

	A Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	411.83	346.36	340.13
Return before operating charges [^]	86.64	72.70	12.31
Operating charges	-7.35	-6.03	-5.84
Return after operating charges [^]	79.29	66.67	6.47
Distributions	-1.19	-1.20	-0.24
Closing net asset value per share	489.93	411.83	346.36
[^] After direct transaction costs of	-0.50	-0.59	-0.75
Performance			
Return after charges	19.25%	19.25%	1.90%
Other information			
Closing net asset value	£4,776,681	£3,340,490	£3,938,281
Closing number of shares	974,971	811,137	1,137,042
Operating charges	1.60%	1.63%	1.64%
Direct transaction costs	0.11%	0.16%	0.21%
Prices			
Highest share price	496.39	415.48	374.51
Lowest share price	411.97	337.26	326.11

	B Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	368.65	310.04	304.52
Return before operating charges [^]	77.56	65.10	11.02
Operating charges	-3.51	-2.93	-2.85
Return after operating charges [^]	74.05	62.17	8.17
Distributions	-4.13	-3.56	-2.65
Closing net asset value per share	438.57	368.65	310.04
[^] After direct transaction costs of	-0.45	-0.53	-0.67
Performance			
Return after charges	20.09%	20.05%	2.68%
Other information			
Closing net asset value	£50,090,128	£32,594,940	£21,039,335
Closing number of shares	11,421,364	8,841,787	6,785,923
Operating charges	0.85%	0.88%	0.89%
Direct transaction costs	0.11%	0.16%	0.21%
Prices			
Highest share price	447.17	374.39	336.87
Lowest share price	369.07	302.79	292.09

Comparative Tables

continued

Change in net assets per share

	Overseas Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	121.03	101.80	99.97
Return before operating charges [^]	25.48	21.36	3.62
Operating charges	-2.16	-1.77	-1.72
Return after operating charges [^]	23.32	19.59	1.90
Distributions	-0.36	-0.36	-0.07
Closing net asset value per share	143.99	121.03	101.80
[^] After direct transaction costs of	-0.15	-0.17	-0.22
Performance			
Return after charges	19.27%	19.24%	1.90%
Other information			
Closing net asset value	£105,472	£46,357	£55,781
Closing number of shares	73,247	38,301	54,797
Operating charges	1.60%	1.63%	1.64%
Direct transaction costs	0.11%	0.16%	0.21%
Prices			
Highest share price	145.90	122.11	110.07
Lowest share price	121.08	99.13	95.85

Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

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

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

Comparative Tables

continued

Risk and reward profile

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



The Sub-fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Sub-fund:

- Changes in currency exchange rates may cause the value of investments to decrease or increase.
- The price of investment trusts may not reflect the value of the assets they hold. This can result in wide price changes of the investment trust shares.
- For further risk information please see the prospectus.

Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Statement of Total Return

for the year ended 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
Income					
Net capital gains	2		7,471,442		5,429,488
Revenue	3	842,393		587,702	
Expenses	4	(416,698)		(289,791)	
Interest payable and similar charges	4	—		—	
Net revenue before taxation		425,695		297,911	
Taxation	5	—		—	
Net revenue after taxation			425,695		297,911
Total return before distributions			7,897,137		5,727,399
Distributions	6		(425,698)		(297,908)
Change in net assets attributable to Shareholders from investment activities			7,471,439		5,429,491

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2017

		£	30.09.17 £	£	30.09.16 £
Opening net assets attributable to Shareholders			35,981,787		25,033,397
Amounts receivable on issue of shares		21,143,829		10,178,507	
Less: Amounts payable on cancellation of shares		(9,624,774)		(4,659,608)	
			11,519,055		5,518,899
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)			7,471,439		5,429,491
Closing net assets attributable to Shareholders			54,972,281		35,981,787

The notes on pages 38 to 45 form an integral part of these Financial Statements.

Balance Sheet

as at 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
ASSETS					
Fixed Assets					
Investments			45,250,126		33,579,983
Current Assets					
Debtors	7	240,978		99,029	
Cash and bank balances	9	10,151,892		2,907,335	
Total current assets			10,392,870		3,006,364
Total assets			55,642,996		36,586,347
LIABILITIES					
Investment liabilities			–		–
Creditors					
Distribution payable		(483,465)		(324,945)	
Other creditors	8	(187,250)		(279,615)	
Total creditors			(670,715)		(604,560)
Total liabilities			(670,715)		(604,560)
Net assets attributable to Shareholders			54,972,281		35,981,787

The notes on pages 38 to 45 form an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 September 2017

1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 6 to 8.

2. Net Capital Gains	30.09.17	30.09.16
	£	£
Non-derivative securities	7,472,033	5,429,956
Currency (losses)/gains	(13)	140
Transaction charges	(578)	(608)
Net capital gains	7,471,442	5,429,488

3. Revenue	30.09.17	30.09.16
	£	£
UK dividends: Ordinary	697,886	486,792
Overseas dividends	143,991	94,159
Distributions from Regulated Collective Investment Schemes:		
Interest distributions	–	5,250
Interest on debt securities	–	858
Bank interest	516	643
Total revenue	842,393	587,702

4. Expenses	30.09.17	30.09.16
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	371,187	253,166
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	26,716	14,765
Safe custody and other bank charges	1,959	1,370
	<u>28,675</u>	<u>16,135</u>

Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.17 £	30.09.16 £
Other expenses:		
Audit fee (including VAT)	9,540	9,633
Listing fees	3,186	3,518
Legal fees	2,464	3,621
Printing costs	1,646	3,718
	16,836	20,490
Expenses	416,698	289,791
Interest payable and similar charges	–	–
Total	416,698	289,791

The charges for Registration and Administration are met by the ACD.

5. Taxation	30.09.17 £	30.09.16 £
(a) Analysis of charge in the year		
Total tax charge (note 5b)	–	–
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	425,695	297,911
Corporation tax at 20%	85,139	59,582
Effects of:		
UK dividends	(139,577)	(97,358)
Movement in surplus management expenses	83,236	56,608
Non-taxable overseas earnings	(28,798)	(18,832)
Total tax charge (note 5a)	–	–

(c) Deferred tax

At the year end there is a potential deferred tax asset of £426,501 (2016: £343,265) in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6. Distributions

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

		30.09.17	30.09.16
		£	£
Final distribution	30.09.17	483,465	324,945
Revenue deducted on cancellation of Shares		41,762	26,254
Revenue received on issue of Shares		(99,529)	(53,291)
Distributions		425,698	297,908

Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		425,695	297,911
Undistributed revenue brought forward		7	4
Undistributed revenue carried forward		(4)	(7)
Distributions		425,698	297,908

7. Debtors

		30.09.17	30.09.16
		£	£
Amounts receivable on issues		197,977	89,672
Accrued income:			
Dividends receivable		40,885	5,899
UK income tax recoverable		–	1,050
Prepaid expenses:			
Legal fee		1,345	1,511
Listing fee		771	897
Total debtors		240,978	99,029

Notes to the Financial Statements

continued

8. Other Creditors	30.09.17	30.09.16
	£	£
Amounts payable on cancellations	127,446	37,744
Purchases awaiting settlement	–	205,350
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACDs Management fee	36,957	23,869
Amounts payable to the Depositary associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	12,202	1,806
Safe custody and other bank charges	355	126
	12,557	1,932
Other expenses:		
Audit fee (including VAT)	9,270	9,120
Printing costs	1,020	1,600
	10,290	10,720
Total other creditors	187,250	279,615
9. Cash and Bank Balances	30.09.17	30.09.16
	£	£
Cash and bank balances	10,151,892	2,907,335
Cash and bank balances	10,151,892	2,907,335

Notes to the Financial Statements

continued

10. Related Party Transactions

Management charges paid to the ACD, Unicorn Asset Management Ltd are shown in note 4, the amounts due at the year end in respect of Management fees are shown in note 8.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

Unicorn Asset Management Ltd and its associates had the following shareholdings in the Sub-fund:

	Held at 30.09.17	Change in period	Held at 30.09.16
B Income Shares			
Philip John - Finance and Operations Director	10,297	3,722	6,575
Overseas Income Shares			
Unicorn Asset Management Ltd	10,036	29	10,007

Unicorn AIM VCT Plc, a company for which Unicorn Asset Management Ltd acts as investment manager, held shares in the Sub-funds as follows:

	30.09.17	30.09.16
B Income Shares	1.40%	7.49%

The Sub-fund is also invested in 260,000 shares of the Acorn Income Fund (2016: 260,000 shares) which is advised by Unicorn Asset Management Ltd. For further details see the Portfolio Statement on page 31.

At the year end the Sub-fund did not hold shares in any of the other Sub-funds within the Unicorn Investment Funds.

11. Contingent Liabilities and Outstanding Commitments

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

12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 8 to 9.

Numerical disclosures relating to the Sub-fund are as follows:

Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £4,525,013 (2016: £3,357,998).

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

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

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

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

30.09.17

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Pound sterling	10,151,892	45,491,104	55,642,996
	10,151,892	45,491,104	55,642,996

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	670,715	670,715
	670,715	670,715

30.09.16

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	947	–	947
Pound sterling	2,906,388	33,679,012	36,585,400
	2,907,335	33,679,012	36,586,347

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	604,560	604,560
	604,560	604,560

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

30.09.17

Analysis of purchases	Net purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	7,342,151	14,594	0.20%	30,598	0.42%	7,296,959
Corporate actions	(630,631)	–	0.00%	–	0.00%	(630,631)
Total purchases after commissions and tax	6,711,520					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	2,230,117	2,887	0.13%	6	0.00%	2,233,010
Total sales after commissions and tax	2,230,117					
Commission as a % of the average net assets	0.04%					
Taxes as a % of the average net assets	0.07%					

30.09.16

Analysis of purchases	Net purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	7,778,374	15,466	0.20%	30,182	0.39%	7,732,726
Corporate actions	(132,720)	–	0.00%	–	0.00%	(132,720)
Total purchases after commissions and tax	7,645,654					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	2,412,715	4,130	0.17%	5	0.00%	2,416,850
Total sales after commissions and tax	2,412,715					
Commission as a % of the average net assets	0.06%					
Taxes as a % of the average net assets	0.10%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 33 and 34. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

Notes to the Financial Statements

continued

14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2017 is 0.82% (2016: 1.04%).

15. Fair Value Disclosure

Valuation technique	30.09.17		30.09.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 [^]	45,217,236	–	33,536,130	–
Level 2 ^{^^}	–	–	–	–
Level 3 ^{^^^}	32,890	–	43,853	–
	45,250,126	–	33,579,983	–

[^]Level 1: Unadjusted quoted price in an active market for an identical instrument.

^{^^} Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

^{^^^} Level 3: Valuation techniques using unobservable inputs.

16. Shareholders Funds

	A Income	B Income	Overseas Income
Opening number of Shares	811,137	8,841,787	38,301
Shares issued	287,512	4,768,173	134,281
Shares cancelled	(98,856)	(2,216,257)	(99,335)
Shares converted	(24,822)	27,661	–
Closing number of Shares	974,971	11,421,364	73,247

Distribution Table

for the year ended 30 September 2017

Income Share Distribution

Share class	Distribution	Shares	Net revenue p	Equalisation p	Distribution payable 2017 p	Distribution paid 2016 p
A	Final	Group 1	1.1949	–	1.1949	1.2028
		Group 2	0.7357	0.4592	1.1949	1.2028
B	Final	Group 1	4.1287	–	4.1287	3.5632
		Group 2	2.0617	2.0670	4.1287	3.5632
Overseas	Final	Group 1	0.3568	–	0.3568	0.3593
		Group 2	0.1376	0.2192	0.3568	0.3593

Final period: 01.10.16 - 30.09.17

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

Investment Objective and Policy

The Unicorn UK Smaller Companies Fund aims to achieve long-term capital growth by investing predominantly in shares in smaller UK companies where a smaller company is defined as a constituent of the Numis Smaller Companies Index. In addition, the Sub-fund may invest up to 20% of the portfolio value in companies not included in the above, including those listed on the Alternative Investment Market.

The Sub-fund has issued A Income, B Income, and Overseas Income shares.

Investment Manager's Report

for the year ended 30 September 2017

For the twelve months ended 30 September 2017, the Sub-fund's B Income shares delivered a total return of 26.3%. This performance compares with a total return from the benchmark, the Numis Smaller Companies Index (Ex IT), of 19.0% over the same period.

As at 30 September 2017, the Sub-fund held investments in 43 companies.

In the period under review, UK equity markets enjoyed a sustained period of strong performance as confidence continued to return following the volatility seen after the outcome of the June 2016 Brexit referendum. It was pleasing to see meaningful contributions from a number of the long-term holdings, many of which had suffered significant share price declines in the second half of 2016, despite continuing to deliver strong financial and operational performance.

In April, just a few weeks after triggering Article 50 (thereby starting a two-year period during which the terms of exit from the EU must be agreed), Theresa May called a snap general election. The Conservative Party held a strong lead in the polls at the time, and Mrs. May was clearly seeking to capitalise on this by winning a larger parliamentary majority and thereby establishing a strong mandate with which to negotiate Britain's exit from the EU. This gamble backfired, as the Conservative Party lost its majority and was forced into forming a minority government with the help of the Democratic Unionist Party. As a consequence, Mrs. May now leads a weakened government with a diminished, rather than a strengthened negotiating position.

The fragile political situation in the UK has resulted in Sterling remaining under continued pressure, resulting in a noticeable increase in inflation. The prospect of interest rate rises has increased as a result. These factors are now combining to create a tough environment for the average UK consumer. It is therefore particularly pleasing to note that the performance of the investee companies within the portfolio has remained strong. The Sub-fund retains significant exposure to the UK economy, and despite the current difficulties, the Manager believes that economic growth will continue to be driven by smaller companies. In our view, a focus on UK smaller companies is attractive since such businesses tend to be operationally efficient, lean from a cost perspective and flexible enough to adapt to changing economic conditions. As a result, they offer the potential to deliver superior long term capital growth.

The Sub-fund continues to focus on genuinely small businesses and the portfolio of investee companies currently has an average market capitalisation of approximately £400m, which is lower than many funds operating in the small cap sector. The Sub-fund also continues to be managed along high conviction lines, which helps ensure that the focus remains on companies that are capable of delivering strong and sustainable growth.

The UK equity market remained volatile over the period, which resulted in higher than normal levels of portfolio activity as the Manager sought to acquire quality companies that had been oversold. In total, twelve holdings were sold, while eighteen new investments were made, which included participation in four Initial Public Offerings (IPOs); Xafinity (+39 bps), a provider of support services to the pensions industry; Alpha FX (+192bps), a provider of FX services; Ethernity Networks (+26bps), a data processing technology developer; and Van Elle (-6 bps), a specialist piling company.

The key contributors to the Sub-fund's performance over the year to 30 September 2017 were as follows:-

Frontier Developments (+698 bps), a developer of computer games, delivered exceptional returns during the period. Newsflow was consistently positive throughout the year, but one of the most significant announcements concerned the launch of Frontier's third game franchise, Jurassic World. The game's launch is being timed to coincide with the release of the latest Jurassic Park film. This news was greeted with enthusiasm by fans of Frontier's video games, while the share price responded positively as institutional investors began to appreciate the impact the game might have on future profitability.

Investment Manager's Report

continued

Somero Enterprises (+274 bps), a manufacturer of laser guided concrete spreading and levelling equipment, produced another period of strong operational performance, which has allowed management to increase the company's dividend payout ratio and declare a significant special dividend.

Lavendon (+269 bps), a provider of mobile powered access equipment, received a takeover approach in November 2016, which triggered a competitive bidding process that ultimately resulted in the business being sold at a significant premium.

Alpha FX (+106 bps), a foreign exchange currency trading business, raised money via an IPO in April 2017 in order to remove capital constraints on the business. The IPO was well received and the company has subsequently continued to trade strongly.

The only significant detractor from performance in the year was Quarto (-175 bps), a book publisher that updated the market with a warning that the softer economic outlook would impact revenues and profitability for the year.

We remain positive about the UK's longer term economic outlook, but are nonetheless anticipating periods of short term market volatility as negotiations around the UK's exit from the EU continue.

The Manager invests in companies that operate in niche growth markets. Such businesses are typically able to develop a lasting competitive advantage through the provision of specialised products or services. As a consequence, these businesses tend to be sustainably profitable and are capable of generating significant free cash flows, which, in turn, support the payment of regular dividends to shareholders. By focusing on companies that display these characteristics, the Investment Manager remains confident that the Sub-fund can continue to deliver long-term outperformance.

Portfolio Statement

as at 30 September 2017

Holding	Security	Market value £	% of total net assets 2017
	Chemicals 1.69% (2.80%)		
250,000	Zotefoams	880,000	1.69
	Forestry & Paper 1.69% (0.00%)		
50,000	James Cropper*	880,000	1.69
	Construction & Materials 9.17% (12.69%)		
930,899	Alumasc	1,601,146	3.07
340,000	Marshalls	1,480,700	2.84
300,000	Tyman	963,750	1.85
800,000	Van Elle*	736,000	1.41
		4,781,596	9.17
	Aerospace & Defence 3.05% (3.76%)		
170,000	Avon Rubber	1,590,350	3.05
	General Industrials 8.71% (0.00%)		
2,000,000	Coats	1,562,000	2.99
1,900,000	Low & Bonar	1,505,750	2.89
250,000	Vesuvius	1,473,750	2.83
		4,541,500	8.71
	Electronic & Electrical Equipment 5.65% (2.60%)		
600,000	Acal	1,830,000	3.51
250,000	Xaar	1,113,750	2.14
		2,943,750	5.65
	Industrial Engineering 13.67% (15.86%)		
250,000	Castings	1,157,500	2.22
90,000	Goodwin	1,503,000	2.88
200,000	Porvair	960,000	1.84
912,931	Somero Enterprises*	2,464,914	4.73
500,000	Trifast	1,040,000	2.00
		7,125,414	13.67
	Industrial Transportation 6.99% (10.37%)		
269,108	Braemar Shipping Services	847,690	1.63
150,000	Ocean Wilsons	1,620,000	3.11
500,000	Wincanton	1,175,000	2.25
		3,642,690	6.99
	Support Services 5.23% (9.18%)		
370,000	Clipper Logistics	1,489,250	2.85
150,000	Ricardo	1,238,250	2.38
		2,727,500	5.23
	Automobiles & Parts 1.39% (2.24%)		
500,000	Autins*	725,000	1.39
	Food Producers 2.94% (0.00%)		
250,000	Dairy Crest	1,532,500	2.94

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2017
	Leisure Goods 4.03% (5.26%)		
200,000	Frontier Developments*	2,100,000	4.03
	Food & Drug Retailers 0.00% (0.83%)		
	General Retailers 3.50% (6.78%)		
350,000	Card Factory	1,075,900	2.06
1,000,000	Topps Tiles	750,000	1.44
		1,825,900	3.50
	Media 6.35% (6.28%)		
100,000	4imprint	1,831,000	3.51
500,000	Quarto	625,000	1.20
300,000	Tarsus	856,500	1.64
		3,312,500	6.35
	Travel & Leisure 3.83% (2.25%)		
150,000	Domino's Pizza	465,000	0.89
150,000	Greene King	819,750	1.58
200,000	Hostelworld	710,000	1.36
		1,994,750	3.83
	Banks 2.38% (2.75%)		
70,000	Secure Trust Bank	1,239,000	2.38
	Financial Services 9.10% (4.47%)		
282,997	Alpha FX*	1,330,086	2.55
350,000	Numis*	982,625	1.89
400,000	River & Mercantile	1,260,000	2.42
700,000	Xafinity	1,169,000	2.24
		4,741,711	9.10
	Software & Computer Services 8.04% (9.29%)		
150,000	FDM	1,440,750	2.76
40,000	First Derivatives*	1,183,200	2.27
125,228	GB*	458,334	0.88
450,000	Servelec	1,111,500	2.13
		4,193,784	8.04
	Technology Hardware & Equipment 1.17% (0.00%)		
375,000	Ethernity Networks*	611,250	1.17
	Investment assets	51,389,195	98.58
	Net other assets	740,162	1.42
	Net assets	52,129,357	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.09.16.

*Quoted on AIM.

Comparative Tables

Change in net assets per share

	A Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	443.63	434.02	390.52
Return before operating charges [^]	120.85	22.02	51.44
Operating charges	-8.12	-6.89	-6.57
Return after operating charges [^]	112.73	15.13	44.87
Distributions	-6.52	-5.52	-1.37
Closing net asset value per share	549.84	443.63	434.02
[^] After direct transaction costs of	-1.72	-1.20	-1.16
Performance			
Return after charges	25.41%	3.49%	11.49%
Other information			
Closing net asset value	£5,381,587	£5,994,469	£9,681,541
Closing number of shares	978,758	1,351,219	2,230,948
Operating charges	1.61%	1.61%	1.59%
Direct transaction costs	0.34%	0.28%	0.28%
Prices			
Highest share price	567.07	455.88	457.15
Lowest share price	420.34	383.63	367.82

	B Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	433.03	423.67	381.56
Return before operating charges [^]	117.96	21.54	50.23
Operating charges	-4.24	-3.60	-3.40
Return after operating charges [^]	113.72	17.94	46.83
Distributions	-10.05	-8.58	-4.72
Closing net asset value per share	536.70	433.03	423.67
[^] After direct transaction costs of	-1.68	-1.18	-1.14
Performance			
Return after charges	26.26%	4.23%	12.27%
Other information			
Closing net asset value	£46,600,233	£39,660,373	£49,101,057
Closing number of shares	8,682,715	9,158,712	11,589,408
Operating charges	0.86%	0.86%	0.84%
Direct transaction costs	0.34%	0.28%	0.28%
Prices			
Highest share price	556.95	448.16	449.25
Lowest share price	410.64	376.85	359.52

Comparative Tables

continued

Change in net assets per share

	Overseas Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	105.45	103.28	93.02
Return before operating charges [^]	28.73	5.24	12.23
Operating charges	-1.93	-1.64	-1.56
Return after operating charges [^]	26.80	3.60	10.67
Distributions	-1.56	-1.43	-0.41
Closing net asset value per share	130.69	105.45	103.28
[^] After direct transaction costs of	-0.41	-0.29	-0.28
Performance			
Return after charges	25.41%	3.48%	11.47%
Other information			
Closing net asset value	£147,537	£47,909	£15,330
Closing number of shares	112,895	45,432	14,843
Operating charges	1.61%	1.61%	1.58%
Direct transaction costs	0.34%	0.28%	0.28%
Prices			
Highest share price	134.79	108.48	108.87
Lowest share price	99.90	91.30	87.61

Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

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

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

Comparative Tables

continued

Risk and reward profile

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



The Sub-fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. During the year under review the category changed from 5 to 4, this is due to the price volatility of the Sub-fund. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Fund:

- Smaller company shares, including AIM companies, can be riskier as they may be more difficult to buy and sell and their share prices may fluctuate more than that of a larger company.
- For further risk information please see the prospectus.

Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Statement of Total Return

for the year ended 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
Income					
Net capital gains	2		9,812,605		457,991
Revenue	3	1,412,423		1,533,174	
Expenses	4	(447,492)		(510,604)	
Interest payable and similar charges	4	–		–	
Net revenue before taxation		964,931		1,022,570	
Taxation	5	(32,073)		(23,837)	
Net revenue after taxation			932,858		998,733
Total return before distributions			10,745,463		1,456,724
Distributions	6		(932,854)		(998,732)
Change in net assets attributable to Shareholders from investment activities			9,812,609		457,992

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2017

	£	30.09.17 £	£	30.09.16 £
Opening net assets attributable to Shareholders		45,702,751		58,797,928
Amounts receivable on issue of shares	21,836,613		20,283,621	
Less: Amounts payable on cancellation of shares	(25,223,036)		(33,836,790)	
		(3,386,423)		(13,553,169)
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		9,812,609		457,992
Unclaimed distributions		420		–
Closing net assets attributable to Shareholders		52,129,357		45,702,751

The notes on pages 56 to 63 form an integral part of these Financial Statements.

Balance Sheet

as at 30 September 2017

	Note	30.09.17		30.09.16	
		£	£	£	£
ASSETS					
Fixed Assets					
Investments			51,389,195		44,516,832
Current Assets					
Debtors	7	423,179		535,081	
Cash and bank balances	9	1,495,892		1,714,278	
Total current assets			1,919,071		2,249,359
Total assets			53,308,266		46,766,191
LIABILITIES					
Investment liabilities			–		–
Creditors					
Distribution payable		(938,600)		(861,197)	
Other creditors	8	(240,309)		(202,243)	
Total creditors			(1,178,909)		(1,063,440)
Total liabilities			(1,178,909)		(1,063,440)
Net assets attributable to Shareholders			52,129,357		45,702,751

The notes on pages 56 to 63 form an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 September 2017

1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 6 to 8.

2. Net Capital Gains

	30.09.17	30.09.16
	£	£
Non-derivative securities	9,816,355	461,366
Transaction charges	(3,750)	(3,375)
Net capital gains	9,812,605	457,991

3. Revenue

	30.09.17	30.09.16
	£	£
UK dividends: Ordinary	1,031,316	1,256,874
Overseas dividends	380,900	275,509
Bank interest	207	791
Total revenue	1,412,423	1,533,174

4. Expenses

	30.09.17	30.09.16
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	400,331	459,792
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	28,263	26,746
Safe custody and other bank charges	2,277	2,614
	<u>30,540</u>	<u>29,360</u>

Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.17 £	30.09.16 £
Other expenses:		
Audit fee (including VAT)	9,540	9,633
Listing fees	3,178	3,580
Legal fees	2,465	3,621
Printing costs	1,438	4,618
	16,621	21,452
Expenses	447,492	510,604
Interest payable and similar charges	–	–
Total	447,492	510,604

The charges for Registration and Administration are met by the ACD.

5. Taxation	30.09.17 £	30.09.16 £
(a) Analysis of charge in the year:		
Overseas tax	32,073	23,837
Total tax charge (note 5b)	32,073	23,837
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	964,931	1,022,570
Corporation tax at 20%	192,986	204,514
Effects of:		
UK dividends	(206,263)	(251,375)
Movement in surplus management expenses	89,457	101,962
Overseas tax expensed	32,073	23,837
Non-taxable overseas earnings	(76,180)	(55,101)
Total tax charge (note 5a)	32,073	23,837

(c) Deferred tax

At the year end there is a potential deferred tax asset of £763,740 (2016: £674,283) in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6. Distributions

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

		30.09.17	30.09.16
		£	£
Final distribution	30.09.17	938,600	861,197
Revenue deducted on cancellation of Shares		170,335	241,755
Revenue received on issue of Shares		(176,081)	(104,220)
Distributions		932,854	998,732

Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		932,858	998,733
Undistributed revenue brought forward		4	3
Adjustment to income brought forward		(3)	–
Undistributed revenue carried forward		(5)	(4)
Distributions		932,854	998,732

7. Debtors

		30.09.17	30.09.16
		£	£
Amounts receivable on issues		173,547	222,856
Sales awaiting settlement		142,479	52,067
Accrued income:			
Dividends receivable		102,482	255,250
Overseas tax recoverable		2,554	2,507
Prepaid expenses:			
Legal fee		1,345	1,511
Listing fee		772	890
Total debtors		423,179	535,081

Notes to the Financial Statements

continued

8. Other Creditors	30.09.17	30.09.16
	£	£
Amounts payable on cancellations	158,220	155,818
Purchases awaiting settlement	22,091	–
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	37,150	32,741
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	12,158	2,363
Safe custody and other bank charges	420	201
	12,578	2,564
Other expenses:		
Audit fee (including VAT)	9,270	9,120
Printing costs	1,000	2,000
	10,270	11,120
Total other creditors	240,309	202,243
9. Cash and Bank Balances	30.09.17	30.09.16
	£	£
Cash and bank balances	1,495,892	1,714,278
Cash and bank balances	1,495,892	1,714,278

Notes to the Financial Statements

continued

10. Related Party Transactions

Management charges paid to the ACD, Unicorn Asset Management Ltd are shown in note 4, the amounts due at the year end in respect of Management fees are shown in note 8.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

Unicorn Asset Management Ltd and its associates had the following shareholdings in the Sub-fund:

	Held at 30.09.17	Change in period	Held at 30.09.16
B Income Shares			
Colin Howell - Chairman	34,500	–	34,500
Jean Howell - Chairman's wife	40,000	(40,000)	80,000
Philip John - Finance and Operations Director	7,900	104	7,796
Overseas Income Shares			
Unicorn Asset Management Ltd	10,210	135	10,075

Unicorn AIM VCT Plc, a company for which Unicorn Asset Management Ltd acts as investment manager, held shares in the Sub-fund as follows:

	30.09.17	30.09.16
B Income Shares	5.73%	5.43%

At the year end the Sub-fund did not hold shares in any of the other Sub-funds within the Unicorn Investment Funds.

11. Contingent Liabilities and Outstanding Commitments

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

12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 8 to 9.

Numerical disclosures relating to the Sub-fund are as follows:

Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £5,138,920 (2016: £4,451,683).

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

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

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

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

30.09.17

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	11,960	11,960
Pound sterling	1,495,892	51,784,471	53,280,363
United States dollar	–	15,943	15,943
	1,495,892	51,812,374	53,308,266

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	1,178,909	1,178,909
	1,178,909	1,178,909

30.09.16

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	26,417	26,417
Pound sterling	1,714,278	45,003,258	46,717,536
United States dollar	–	22,238	22,238
	1,714,278	45,051,913	46,766,191

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	1,063,440	1,063,440
	1,063,440	1,063,440

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

30.09.17

Analysis of purchases	Net purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	19,268,506	41,730	0.22%	68,664	0.36%	19,158,112
Total purchases after commissions and tax	19,268,506					
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	22,212,498	50,594	0.23%	108	0.00%	22,263,200
Total sales after commissions and tax	22,212,498					
Commission as a % of the average net assets	0.19%					
Taxes as a % of the average net assets	0.15%					

30.09.16

Analysis of purchases	Net purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	15,358,262	31,421	0.20%	45,076	0.29%	15,281,765
Total purchases after commissions and tax	15,358,262					
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	27,182,680	78,468	0.29%	155	0.00%	27,261,303
Total sales after commissions and tax	27,182,680					
Commission as a % of the average net assets	0.20%					
Taxes as a % of the average net assets	0.08%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 51 and 52. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

Notes to the Financial Statements

continued

14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2017 is 1.77% (2016: 2.08%).

15. Fair Value Disclosure

Valuation technique	30.09.17		30.09.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 [^]	51,389,195	–	44,516,832	–
Level 2 ^{^^}	–	–	–	–
Level 3 ^{^^^}	–	–	–	–
	51,389,195	–	44,516,832	–

[^]Level 1: Unadjusted quoted price in an active market for an identical instrument.

^{^^}Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

^{^^^}Level 3: Valuation techniques using unobservable inputs.

16. Shareholders Funds

	A Income	B Income	Overseas Income
Opening number of Shares	1,351,219	9,158,712	45,432
Shares issued	614,294	3,692,519	151,596
Shares cancelled	(971,685)	(4,183,899)	(84,133)
Shares converted	(15,070)	15,383	–
Closing number of Shares	978,758	8,682,715	112,895

Distribution Table

for the year ended 30 September 2017

Income Share Distributions

Share class	Distribution	Shares	Net revenue p	Equalisation p	Distribution payable 2017 p	Distribution paid 2016 p
A	Final	Group 1	6.5183	–	6.5183	5.5239
		Group 2	1.4147	5.1036	6.5183	5.5239
B	Final	Group 1	10.0549	–	10.0549	8.5810
		Group 2	5.0099	5.0450	10.0549	8.5810
Overseas	Final	Group 1	1.5615	–	1.5615	1.4268
		Group 2	0.3450	1.2165	1.5615	1.4268

Final period: 01.10.16 - 30.09.17

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

Investment Objective and Policy

The Unicorn UK Income Fund aims to provide a high and rising income from a portfolio of UK equities. The ACD may also invest at its discretion in other transferable securities, money market instruments, deposits, cash and near cash and collective investment schemes.

The Sub-fund has issued A Income and Accumulation, B Income and Accumulation and Overseas Income and Accumulation shares.

Investment Manager's Report

for the year ended 30 September 2017

For the twelve months ended 30 September 2017, the Sub-Fund's B Income shares produced a total return of 20.5% (2050 basis points). This compares to an average total return of 11.8% from funds in the UK Equity Income sector.

As at 30 September 2017, the Sub-fund held investments in 43 companies.

The strong performance enjoyed in the first half of the period continued during the second half. A combination of; robust financial and operational performance from investee companies, a modest re-rating of share prices and healthy levels of Merger & Acquisition activity combined to produce a superior total returns for investors.

The returns delivered during the period have been achieved against an uncertain domestic backdrop. Brexit negotiations continue to advance at a slow pace with no real clarity emerging surrounding the terms of the UK's exit from the European Union. Following what was widely perceived to be a fairly disastrous election campaign the Prime Minister, Teresa May, continues to face scrutiny over her leadership capabilities from both inside and outside her own party. The sharp fall in the value of sterling immediately following the EU referendum has also presented a number of challenges domestically, as consumers and businesses struggle with the consequent inflation in the cost of imported goods and services. The prospect of a rise in interest rates is also likely to create further pressure on discretionary consumer spending. On a positive note, the UK economy continues to grow – in contrast to many analyst expectations immediately following the referendum and unemployment levels also remain near record lows. While weakness in the value of sterling has created domestic challenges, many UK based exporters are benefitting from increased competitiveness internationally.

The Sub-fund remained differentiated from many of its peers by maintaining a strong bias towards small and mid-cap companies during the period. The weighting in large-cap stocks remained low throughout the year, and represented less than 5% of the portfolio by value, at the period end.

The Sub-fund continues to invest solely in UK Equities and investment horizons remain long term in nature. From time to time, and in certain market conditions, shorter term investments may be made in higher yielding, larger capitalised companies in order to effectively manage liquidity and provide supplementary income to that generated by the core portfolio.

Unsurprisingly, the correlation of the Sub-fund with the UK Equity Income sector also remained low during the period. In addition to the obvious merits of income diversification, we remain firmly of the view that investing for income in small and medium sized companies offers additional and compelling attributes for long term investors. In the smaller companies' universe, long term profit growth is often more sustainable, dividend cover (and therefore dividend quality) can be higher and the track record of dividend growth is typically superior. Lower levels of analyst coverage in our investment universe also helps to create opportunities to invest in assets that can often be mispriced.

The total return of 20% during the period under review was driven by a broad range of individual holdings.

The most notable contributions to performance were as follows:-

- **Conviviality** (246 bps), a retailer and distributor of alcohol, continued to perform well. Underlying trading remained strong, while the integration of recent acquisitions is reported to be ahead of plan. Partial profits were taken in this position during the period, however it remains a core long term holding.
- **FDM** (201 bps), a provider of outsourced graduate recruitment services, continued to generate strong growth in both earnings and dividends. The Sub-fund's holding in FDM was increased in the days following the EU referendum after a short period of severe share price weakness. The average price paid for these additional shares was 435 pence per share. By the end of the period under review, FDM's share price had increased to over 1000 pence per share. Partial profits were also taken in this position during the period, but it too remains a core long term holding.

Investment Manager's Report

continued

- **Marshalls** (185 bps), a paving and building products manufacturer, performed well during the period thanks to continued strong trading in its core UK market, leading to an impressive improvement in operating margins. During the period, the Board of Marshalls announced a 22% increase in the ordinary dividend and, for the second year in a row, declared a supplementary (special) dividend. The size of this holding was reduced slightly during the period in order to lock in profits.
- **Lavendon** (177 bps), a powered access, equipment rental business, received a series of competing bids from two prospective trade buyers during the period. As a result, the holding was exited in full in January 2017, at a price of 261 pence per share, which crystallised a significant capital profit for the Sub-fund. Lavendon had been introduced to the portfolio in the second half of 2015.
- **Hostelworld** (145 bps), an online hostel booking platform, enjoyed a period of share price recovery during the period, as demand for European hostels improved following a weak period in the prior year caused by a series of terror attacks in Europe. Because Hostelworld is an inherently cash generative business, the Board was able to declare a special dividend of €0.1 during the period, which was in addition to a full year payment of €0.15.
- **BBA Aviation** (131 bps), a provider of aviation services to the private jet market, delivered strong operational and financial performance during the period. The company is benefitting from a supportive trading environment in its key US market, the realisation of synergies following the successful integration of its acquisition of Landmark and the disposal of non-core assets. BBA remains the Sub-fund's largest individual holding. As with a number of our other larger holdings this position was reduced in size during the period in order to lock in capital gains.

Other notable positive contributors to performance included RPS (117 bps), Victrex (105 bps), Brewin Dolphin (87 bps), River & Mercantile (84 bps) and Polar Capital (81 bps).

Berendsen (-27 bps) did not end the period producing a positive contribution to the Sub-fund, but at least the company enjoyed a strong second half to the year following a bid approach from French competitor Elias, reversing a large element of a difficult first half in which the company ended the period as the largest negative contributor (-142 bps for the six months to the end of March 2017). Berendsen is a linen and workwear rental business that has suffered from an under-investment in plant and machinery which in turn meant that management had to authorise significant additional costs simply in order to maintain adequate customer service levels. Having previously reduced this position in prior periods due to yield compression, we took advantage of the recent share price weakness to rebuild Berendsen into a full position. While it is disappointing to report on a negative contribution of any size, this is nonetheless a good example of how we maintain and manage yield across the portfolio.

Our long standing position in Interserve was exited in the early part of 2017 due to concerns about the sustainability of dividend payments. At the point of disposal Interserve remained one of the highest yielding holdings in the portfolio, however our focus as ever remains not just on the headline yield but also on the sustainability of dividend income. In this case, our concerns were confirmed, as Berendsen cancelled its dividend after the holding was fully exited from the Sub-fund. Despite this timely disposal, Interserve still cost the Fund 37 bps in performance terms and was one of our poorest performers during the year.

Other negative contributors to performance included Secure Trust Bank and Greene King, which cost the Sub-Fund 85 bps and 75 bps respectively.

Secure Trust, a challenger bank, elected to tighten its lending criteria during the period by focusing on lower margin, secured lending rather than higher risk, unsecured loans. We believe this to be a prudent move by a management team that we hold in high regard and we remain fully committed to the longer term investment case.

Greene King, an owner and operator of pubs, also endured a challenging trading period. A combination of weak consumer demand and increased cost pressures, conspired to squeeze profits. Despite experiencing considerable short-term headwinds, we believe Greene King is a high quality business with an excellent freehold pub estate and an enviable track record of growing dividends over the longer term. The shares have de-rated significantly during the year, with the share price decline to date being significantly in excess of the downgrades to profit forecasts. Importantly, the forecast for dividend payments is largely unchanged and, seemingly, remains well covered by earnings.

The Sub-fund ended the period with 43 holdings, following the addition of nine new stocks, which were offset by twelve disposals. Activity during the second half of the period was significantly lower, with just three additions and three disposals. Of the twelve disposals made during the financial year under review, four were a result of bid approaches from trade buyers.

Investment Manager's Report

continued

The nine positions initiated and their contributions to performance were; Vesuvius (74 bps), a supplier of consumables to the global steel production market; Somero Enterprises (46 bps), a manufacturer of laser guided concrete spreading equipment; Alpha FX (40 bps), an innovative corporate FX business; Xafinity (26 bps), a provider of administration services to the defined benefit pension market; Dairy Crest (15 bps), a manufacturer of dairy food products; Phoenix Group (9 bps), a consolidator of closed life insurance and pension funds; Gateley (7 bps), a quoted legal firm and 4Imprint (4 bps), a supplier of branded corporate promotional merchandise. Alpha FX and Xafinity were added to the Sub-fund at their respective IPO's. Two further small positions were added to the portfolio but were subsequently sold due to poor liquidity resulting in an inability to build an appropriate position size at a sufficiently attractive price.

Volatility is likely to remain a feature of markets in the coming months as the investment community takes a view on the progress of Brexit negotiations, the uncertain domestic political landscape, the financial health of the UK consumer, the prospect of interest rate rises and the potential for large fluctuations in the value of sterling.

Against this uncertain and potentially volatile backdrop our approach remains unchanged. We continue to back high quality, well capitalised businesses with the ability to pay growing and well-covered dividends over the longer term. As active managers we seek to take advantage of short term periods of share price volatility in order to enhance investor returns. We are continually seeking opportunities to improve the overall quality of the portfolio and the long term income generating prospects for the Sub-fund. While we acknowledge that the UK is entering a challenging period, both economically and politically, we remain firmly of the belief that investing in high quality, income generating, small and mid-cap companies is a compelling strategy for long term UK equity investors.

Portfolio Statement

as at 30 September 2017

Holding	Security	Market value £	% of total net assets 2017
	Chemicals 2.61% (1.71%)		
700,000	Victrex	16,590,000	2.61
	Construction & Materials 7.02% (6.27%)		
6,947,273	Epwin*	5,453,609	0.85
2,555,455	James Halstead*	11,212,059	1.77
6,406,748	Marshalls	27,901,388	4.40
		44,567,056	7.02
	General Industrials 4.82% (1.49%)		
16,269,715	Low & Bonar	12,893,749	2.03
3,000,000	Vesuvius	17,685,000	2.79
		30,578,749	4.82
	Electronic & Electrical Equipment 1.65% (1.26%)		
3,428,534	Acal	10,457,029	1.65
	Industrial Engineering 5.84% (3.98%)		
2,065,553	Castings	9,563,510	1.51
1,600,000	Hill & Smith	20,176,000	3.18
2,700,000	Somero Enterprises*	7,290,000	1.15
		37,029,510	5.84
	Industrial Transportation 6.56% (7.04%)		
11,200,000	BBA Aviation	33,420,800	5.27
3,500,000	Wincanton	8,225,000	1.29
		41,645,800	6.56
	Support Services 6.07% (11.33%)		
4,250,000	Clipper Logistics	17,106,250	2.70
3,852,000	Gateley*	5,778,000	0.91
5,412,243	RPS	15,614,321	2.46
		38,498,571	6.07
	Food Producers 1.99% (0.00%)		
2,055,743	Dairy Crest	12,601,705	1.99
	Household Goods & Home Construction 2.45% (2.42%)		
2,648,712	Headlam	15,521,452	2.45
	Leisure Goods 0.00% (2.17%)		
	Food & Drug Retailers 3.56% (4.68%)		
5,500,000	Conviviality*	22,591,250	3.56
	General Retailers 5.03% (5.67%)		
5,250,000	Card Factory	16,138,500	2.54
27,961,742	Pendragon	8,877,853	1.40
3,500,000	Saga	6,930,000	1.09
		31,946,353	5.03
	Media 4.22% (2.07%)		
700,000	4imprint	12,817,000	2.02
8,000,000	ITV	13,968,000	2.20
		26,785,000	4.22

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2017
Travel & Leisure 7.37% (10.73%)			
3,000,000	Cineworld	20,280,000	3.20
2,350,000	Greene King	12,842,750	2.02
3,850,000	Hostelworld	13,667,500	2.15
		46,790,250	7.37
Fixed Line Telecommunications 4.24% (6.34%)			
5,400,000	Manx Telecom*	10,368,000	1.63
1,525,000	Telecom Plus	16,561,500	2.61
		26,929,500	4.24
Banks 2.52% (3.15%)			
905,000	Secure Trust Bank	16,018,500	2.52
Life Insurance 2.26% (0.00%)			
1,900,000	Phoenix Group	14,354,500	2.26
Real Estate Investment & Services 0.68% (0.59%)			
1,225,000	Palace Capital*	4,287,500	0.68
Real Estate Investment Trusts 9.36% (9.79%)			
9,000,000	LondonMetric Property	14,949,000	2.36
3,146,430	Mucklow (A&J)	16,361,436	2.58
23,000,000	Primary Health Properties	28,060,000	4.42
		59,370,436	9.36
Financial Services 11.75% (10.69%)			
822,038	Alpha FX*	3,863,579	0.61
4,000,000	Brewin Dolphin	13,936,000	2.20
5,300,000	Numis*	14,879,750	2.34
9,100,000	Park*	7,371,000	1.16
2,950,000	Polar Capital*	12,957,875	2.04
4,090,000	River & Mercantile	12,883,500	2.03
5,200,000	Xafinity	8,684,000	1.37
		74,575,704	11.75
Software & Computer Services 6.35% (4.42%)			
2,702,750	FDM	25,959,914	4.09
600,000	Micro Focus International	14,316,000	2.26
		40,275,914	6.35
Investment assets		611,414,779	96.35
Net other assets		23,133,947	3.65
Net assets		634,548,726	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.09.16.

*Quoted on AIM.

Comparative Tables

Change in net assets per share

	A Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	224.43	231.23	217.38
Return before operating charges [^]	47.86	6.67	25.89
Operating charges	-3.77	-3.53	-3.58
Return after operating charges [^]	44.09	3.14	22.31
Distributions	-9.90	-9.94	-8.46
Closing net asset value per share	258.62	224.43	231.23
[^] After direct transaction costs of	-0.39	-0.59	-0.60
Performance			
Return after charges	19.65%	1.36%	10.26%
Other information			
Closing net asset value	£48,559,181	£60,076,334	£90,910,942
Closing number of shares	18,776,330	26,768,465	39,316,548
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.16%	0.26%	0.26%
Prices			
Highest share price	267.32	240.97	243.34
Lowest share price	215.63	194.94	204.46

	A Accumulation		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	261.70	257.76	233.61
Return before operating charges [^]	56.59	7.94	28.05
Operating charges	-4.46	-4.00	-3.90
Return after operating charges [^]	52.13	3.94	24.15
Distributions	-11.72	-11.26	-9.21
Retained distributions on accumulation shares	11.72	11.26	9.21
Closing net asset value per share	313.83	261.70	257.76
[^] After direct transaction costs of	-0.46	-0.67	-0.65
Performance			
Return after charges	19.92%	1.53%	10.34%
Other information			
Closing net asset value	£10,899,582	£11,425,335	£16,306,715
Closing number of shares	3,473,060	4,365,803	6,326,419
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.16%	0.26%	0.26%
Prices			
Highest share price	316.12	268.60	268.55
Lowest share price	251.45	224.89	219.73

Comparative Tables

continued

Change in net assets per share

	B income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	239.95	245.36	228.93
Return before operating charges [^]	51.36	7.14	27.35
Operating charges	-2.08	-1.95	-1.97
Return after operating charges [^]	49.28	5.19	25.38
Distributions	-10.64	-10.60	-8.95
Closing net asset value per share	278.59	239.95	245.36
[^] After direct transaction costs of	-0.42	-0.63	-0.63
Performance			
Return after charges	20.54%	2.11%	11.09%
Other information			
Closing net asset value	£353,710,832	£375,822,939	£338,350,392
Closing number of shares	126,962,899	156,622,650	137,897,017
Operating charges	0.80%	0.81%	0.81%
Direct transaction costs	0.16%	0.26%	0.26%
Prices			
Highest share price	287.24	256.17	257.98
Lowest share price	230.74	208.06	215.39

	B Accumulation		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	279.66	273.38	245.92
Return before operating charges [^]	60.72	8.49	29.60
Operating charges	-2.47	-2.21	-2.14
Return after operating charges [^]	58.25	6.28	27.46
Distributions	-12.58	-12.00	-9.74
Retained distributions on accumulation shares	12.58	12.00	9.74
Closing net asset value per share	337.91	279.66	273.38
[^] After direct transaction costs of	-0.49	-0.71	-0.68
Performance			
Return after charges	20.83%	2.30%	11.17%
Other information			
Closing net asset value	£213,948,450	£223,056,348	£144,434,351
Closing number of shares	63,316,056	79,758,661	52,832,160
Operating charges	0.80%	0.81%	0.81%
Direct transaction costs	0.16%	0.26%	0.26%
Prices			
Highest share price	339.51	285.41	284.57
Lowest share price	268.93	239.90	231.37

Comparative Tables

continued

Change in net assets per share

	Overseas Income		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	93.17	95.99	90.22
Return before operating charges [^]	19.87	2.77	10.77
Operating charges	-1.57	-1.46	-1.49
Return after operating charges [^]	18.30	1.31	9.28
Distributions	-4.11	-4.13	-3.51
Closing net asset value per share	107.36	93.17	95.99
[^] After direct transaction costs of	-0.16	-0.24	-0.25
Performance			
Return after charges	19.64%	1.36%	10.29%
Other information			
Closing net asset value	£4,705,729	£4,254,729	£4,333,448
Closing number of shares	4,383,003	4,566,823	4,514,636
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.16%	0.26%	0.26%
Prices			
Highest share price	110.98	100.03	101.01
Lowest share price	89.52	80.93	84.86

	Overseas Accumulation		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	104.69	103.12	93.44
Return before operating charges [^]	22.64	3.17	11.24
Operating charges	-1.78	-1.60	-1.56
Return after operating charges [^]	20.86	1.57	9.68
Distributions	-4.69	-4.51	-3.68
Retained distributions on accumulation shares	4.69	4.51	3.68
Closing net asset value per share	125.55	104.69	103.12
[^] After direct transaction costs of	-0.18	-0.27	-0.26
Performance			
Return after charges	19.93%	1.52%	10.36%
Other information			
Closing net asset value	£2,724,952	£2,564,295	£2,027,569
Closing number of shares	2,170,362	2,449,376	1,966,307
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.16%	0.26%	0.26%
Prices			
Highest share price	126.47	107.45	107.43
Lowest share price	100.59	89.97	87.90

Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

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

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

Comparative Tables

continued

Risk and reward profile

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



The Sub-fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. During the period under review the category changed from 5 to 4, this is due to the price volatility of the Sub-fund. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Sub-fund:

- Smaller company shares, including AIM companies, can be riskier as they may be more difficult to buy and sell and their share prices may fluctuate more than that of a larger company.
- The level of targeted income is not guaranteed and may not be achieved.
- For further risk information please see the prospectus.

Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Statement of Total Return

for the year ended 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
Income					
Net capital gains/(losses)	2		98,456,139		(10,575,700)
Revenue	3	26,421,150		30,355,462	
Expenses	4	(5,680,842)		(6,133,188)	
Interest payable and similar charges	4	–		–	
Net revenue before taxation		20,740,308		24,222,274	
Taxation	5	(76,399)		–	
Net revenue after taxation			20,663,909		24,222,274
Total return before distributions			119,120,048		13,646,574
Distributions	6		(25,664,495)		(29,737,084)
Change in net assets attributable to Shareholders from investment activities			93,455,553		(16,090,510)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2017

	£	30.09.17 £	£	30.09.16 £
Opening net assets attributable to Shareholders		677,199,980		596,363,417
Amounts receivable on issue of shares	181,877,418		313,669,558	
Less: Amounts payable on cancellation of shares	(326,737,277)		(226,717,717)	
		(144,859,859)		86,951,841
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		93,455,553		(16,090,510)
Retained distributions on accumulation shares		8,752,800		9,975,232
Unclaimed distributions		252		–
Closing net assets attributable to Shareholders		634,548,726		677,199,980

The notes on pages 76 to 83 form an integral part of these Financial Statements.

Balance Sheet

as at 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
ASSETS					
Fixed Assets					
Investments			611,414,779		648,755,939
Current Assets					
Debtors	7	12,842,846		6,387,479	
Cash and bank balances	9	23,241,720		30,455,115	
Total current assets			36,084,566		36,842,594
Total assets			647,499,345		685,598,533
LIABILITIES					
Investment liabilities			–		–
Creditors					
Distribution payable		(4,543,034)		(4,762,529)	
Other creditors	8	(8,407,585)		(3,636,024)	
Total creditors			(12,950,619)		(8,398,553)
Total liabilities			(12,950,619)		(8,398,553)
Net assets attributable to Shareholders			634,548,726		677,199,980

The notes on pages 76 to 83 form an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 September 2017

1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 6 to 8.

2. Net Capital Gains/(Losses)	30.09.17	30.09.16
	£	£
Non-derivative securities	98,462,394	(10,568,830)
Transaction charges	(6,255)	(6,870)
Net capital gains/(losses)	98,456,139	(10,575,700)

3. Revenue	30.09.17	30.09.16
	£	£
UK dividends: Ordinary	22,829,138	27,799,499
Overseas dividends	1,706,712	1,039,925
Property Income Distributions	1,878,541	1,504,946
Bank interest	2,666	11,090
Sundry	–	2
Underwriting commission	4,093	–
Total revenue	26,421,150	30,355,462

4. Expenses	30.09.17	30.09.16
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	5,301,798	5,739,213
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	312,246	320,496
Safe custody and other bank charges	30,589	31,281
	342,835	351,777

Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.17 £	30.09.16 £
Other expenses:		
Audit fee (including VAT)	9,540	9,633
Listing fees	6,372	7,145
Legal fees	7,047	8,268
Printing costs	13,250	17,152
	36,209	42,198
Expenses	5,680,842	6,133,188
Interest payable and similar charges	–	–
Total	5,680,842	6,133,188

The charges for Registration and Administration are met by the ACD.

5. Taxation	30.09.17 £	30.09.16 £
(a) Analysis of charge in the year:		
Overseas tax	76,399	–
Total tax charge (note 5b)	76,399	–
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	20,740,308	24,222,274
Corporation tax at 20%	4,148,062	4,844,455
Effects of:		
UK dividends	(4,565,828)	(5,559,900)
Movement in surplus management expenses	759,108	923,430
Overseas tax expensed	76,399	–
Non-taxable overseas earnings	(341,342)	(207,985)
Total tax charge (note 5a)	76,399	–

(c) Deferred tax

At the year end there is a potential deferred tax asset of £4,524,163 (2016: £3,765,055) in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6. Distributions

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

		30.09.17	30.09.16
		£	£
First interim distribution	31.12.16	5,297,136	5,981,199
Second interim distribution	31.03.17	3,507,777	5,509,405
Third interim distribution	30.06.17	9,146,215	11,146,640
Final distribution	30.09.17	7,055,932	7,298,079
		25,007,060	29,935,323
Revenue deducted on cancellation of Shares		1,706,030	1,291,283
Revenue received on issue of Shares		(1,048,595)	(1,489,522)
Distributions		25,664,495	29,737,084

Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		20,663,909	24,222,274
Expenses allocated to capital		5,301,798	5,739,213
Relief on expenses allocated to capital		(301,251)	(224,412)
Undistributed revenue brought forward		146	155
Undistributed revenue carried forward		(107)	(146)
Distributions		25,664,495	29,737,084

7. Debtors

		30.09.17	30.09.16
		£	£
Amounts receivable on issues		2,389,423	2,166,991
Sales awaiting settlement		7,688,161	849,614
Accrued income:			
Bank interest receivable		180	628
Dividends receivable		2,736,995	3,340,822
Overseas tax recoverable		22,060	21,659
UK income tax recoverable		–	934
Prepaid expenses:			
Legal fee		4,484	5,036
Listing fee		1,543	1,795
Total debtors		12,842,846	6,387,479

Notes to the Financial Statements

continued

8. Other Creditors	30.09.17	30.09.16
	£	£
Amounts payable on cancellations	1,772,916	3,113,012
Purchases awaiting settlement	6,104,659	–
Accrued expenses:		
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	430,657	475,420
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	81,461	27,894
Safe custody and other bank charges	4,972	2,578
	<u>86,433</u>	<u>30,472</u>
Other expenses:		
Audit fee (including VAT)	9,270	9,120
Printing costs	3,650	8,000
	<u>12,920</u>	<u>17,120</u>
Total other creditors	8,407,585	3,636,024
9. Cash and Bank Balances	30.09.17	30.09.16
	£	£
Cash and bank balances	23,241,720	30,455,115
Cash and bank balances	23,241,720	30,455,115

Notes to the Financial Statements

continued

10. Related Party Transactions

Management fees paid to the ACD, Unicorn Asset Management Ltd are shown in note 4, the amounts due at the year end in respect of Management fees are shown in note 8.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

Unicorn Asset Management Ltd and its associates had the following shareholdings in the Sub-fund:

	Held at 30.09.17	Change in period	Held at 30.09.16
A Accumulation Shares			
Unicorn Asset Management Ltd	5,023	–	5,023
B Income Shares			
Colin Howell - Chairman	34,000	–	34,000
Jean Howell - Chairman's wife	9,600	–	9,600
B Accumulation Shares			
Philip John - Finance and Operations Director	3,890	–	3,890
Unicorn Asset Management Ltd	4,819	–	4,819
Overseas Income Shares			
Unicorn Asset Management Ltd	11,534	433	11,101
Overseas Accumulation Shares			
Unicorn Asset Management Ltd	10,000	–	10,000

At the year end the Sub-fund did not hold shares in any of the other Sub-funds within the Unicorn Investment Funds.

11. Contingent Liabilities and Outstanding Commitments

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

12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 8 to 9.

Numerical disclosures relating to the Sub-fund are as follows:

Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £61,141,478 (2016: £64,875,594).

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

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

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

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

30.09.17

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	203,128	203,128
Pound sterling	23,241,720	623,684,806	646,926,526
United States dollar	–	369,691	369,691
	23,241,720	624,257,625	647,499,345

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	12,950,619	12,950,619
	12,950,619	12,950,619

30.09.16

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	195,245	195,245
Pound Sterling	30,455,115	654,541,963	684,997,078
United States dollar	–	406,210	406,210
	30,455,115	655,143,418	685,598,533

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	8,398,553	8,398,553
	8,398,553	8,398,553

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

30.09.17

Analysis of purchases	Net purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	119,978,464	238,976	0.20%	407,140	0.34%	119,332,348
Corporate actions	(264,218)	–	0.00%	–	0.00%	(264,218)
Total purchases after commissions and tax	119,714,247					
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	255,517,792	386,637	0.15%	296	0.00%	255,904,725
Total sales after commissions and tax	255,517,792					
Commission as a % of the average net assets	0.10%					
Taxes as a % of the average net assets	0.06%					

30.09.16

Analysis of purchases	Net purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	223,397,416	437,998	0.20%	913,011	0.41%	222,046,407
Corporate actions	9,079,939	–	0.00%	–	0.00%	9,079,939
Total purchases after commissions and tax	232,477,355					
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	151,521,387	365,418	0.24%	147	0.00%	151,886,952
Total sales after commissions and tax	151,521,387					
Commission as a % of the average net assets	0.12%					
Taxes as a % of the average net assets	0.14%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 70 to 72. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

Notes to the Financial Statements

continued

14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2017 is 0.78% (2016: 0.64%).

15. Fair Value Disclosure

Valuation technique	30.09.17		30.09.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 [^]	611,414,779	–	648,755,939	–
Level 2 ^{^^}	–	–	–	–
Level 3 ^{^^^}	–	–	–	–
	611,414,779	–	648,755,939	–

[^]Level 1: Unadjusted quoted price in an active market for an identical instrument.

^{^^}Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

^{^^^}Level 3: Valuation techniques using unobservable inputs.

16. Shareholders Funds

	A Income	B Income	Overseas Income
Opening number of Shares	26,768,465	156,622,650	4,566,823
Shares issued	2,204,161	37,860,662	479,010
Shares cancelled	(9,030,828)	(68,671,734)	(640,873)
Shares converted	(1,165,468)	1,151,321	(21,957)
Closing number of Shares	18,776,330	126,962,899	4,383,003

	A Accumulation	B Accumulation	Overseas Accumulation
Opening number of Shares	4,365,803	79,758,661	2,449,376
Shares issued	465,821	21,767,504	1,032,717
Shares cancelled	(1,279,766)	(38,254,005)	(1,258,809)
Shares converted	(78,798)	43,896	(52,922)
Closing number of Shares	3,473,060	63,316,056	2,170,362

Distribution Tables

for the year ended 30 September 2017

Income Share Distributions

Share class	Distribution	Shares	Net revenue p	Equalisation p	Distribution payable 2017 p	Distribution paid 2016 p
A	First interim	Group 1	1.8946	–	1.8946	2.1178
		Group 2	0.6655	1.2291	1.8946	2.1178
	Second interim	Group 1	1.3780	–	1.3780	1.8121
		Group 2	0.7289	0.6491	1.3780	1.8121
	Third interim	Group 1	3.7431	–	3.7431	3.5747
		Group 2	1.1029	2.6402	3.7431	3.5747
	Final	Group 1	2.8883	–	2.8883	2.4340
		Group 2	0.8434	2.0449	2.8883	2.4340
B	First interim	Group 1	2.0272	–	2.0272	2.2496
		Group 2	0.8735	1.1537	2.0272	2.2496
	Second interim	Group 1	1.4794	–	1.4794	1.9367
		Group 2	0.7831	0.6963	1.4794	1.9367
	Third interim	Group 1	4.0188	–	4.0188	3.8140
		Group 2	1.5189	2.4999	4.0188	3.8140
	Final	Group 1	3.1097	–	3.1097	2.5953
		Group 2	1.2008	1.9089	3.1097	2.5953
Overseas	First interim	Group 1	0.7865	–	0.7865	0.8792
		Group 2	0.2884	0.4981	0.7865	0.8792
	Second interim	Group 1	0.5732	–	0.5732	0.7530
		Group 2	0.2908	0.2824	0.5732	0.7530
	Third interim	Group 1	1.5527	–	1.5527	1.4850
		Group 2	0.6224	0.9303	1.5527	1.4850
	Final	Group 1	1.1990	–	1.1990	1.0107
		Group 2	0.2166	0.9824	1.1990	1.0107

Distribution Tables

continued

Accumulation Share Distributions

Share class	Distribution	Shares	Net revenue p	Equalisation p	Amount reinvested 2017 p	Amount reinvested 2016 p
A	First interim	Group 1	2.2092	–	2.2092	2.3609
		Group 2	1.2778	0.9314	2.2092	2.3609
	Second interim	Group 1	1.6217	–	1.6217	2.0398
		Group 2	0.6344	0.9873	1.6217	2.0398
	Third interim	Group 1	4.4246	–	4.4246	4.0531
		Group 2	2.1939	2.2307	4.4246	4.0531
	Final	Group 1	3.4669	–	3.4669	2.8046
		Group 2	1.5687	1.8982	3.4669	2.8046
B	First interim	Group 1	2.3628	–	2.3628	2.5061
		Group 2	1.0733	1.2895	2.3628	2.5061
	Second interim	Group 1	1.7377	–	1.7377	2.1800
		Group 2	0.9951	0.7426	1.7377	2.1800
	Third interim	Group 1	4.7503	–	4.7503	4.3244
		Group 2	1.8233	2.9270	4.7503	4.3244
	Final	Group 1	3.7311	–	3.7311	2.9911
		Group 2	1.6960	2.0351	3.7311	2.9911
Overseas	First interim	Group 1	0.8837	–	0.8837	0.9445
		Group 2	0.6575	0.2262	0.8837	0.9445
	Second interim	Group 1	0.6474	–	0.6474	0.8189
		Group 2	0.5167	0.1307	0.6474	0.8189
	Third interim	Group 1	1.7706	–	1.7706	1.6237
		Group 2	0.4901	1.2805	1.7706	1.6237
	Final	Group 1	1.3871	–	1.3871	1.1205
		Group 2	0.6507	0.7364	1.3871	1.1205

First interim period: 01.10.16 - 31.12.16

Second interim period: 01.01.17 - 31.03.17

Third interim period: 01.04.17 - 30.06.17

Final period: 01.07.17 - 30.09.17

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

Investment Objective and Policy

The Unicorn Outstanding British Companies Fund aims to achieve the highest predictable annual compounding rate of return over the long-term, where long-term is defined as being not less than five years, by investing in a collection of outstanding British companies, either fully listed or quoted on the Alternative Investment Market, with the least amount of economic, as distinct, from market price risk. Outstanding companies are those whose economics and risks are well understood, whose revenues, earnings and cash flows are predictable to a high degree of certainty, which sell products and services into growing markets, which have market leadership positions and lasting competitive strength, which generate high average and incremental returns on invested capital, which convert a high proportion of their earnings into free, distributable cash, which can show a consistent track record of operating performance, which are run by decent, experienced individuals, who manage their businesses with the goal of maximising owner-value, which operate with low core debt, which are not predominantly acquisition-led, which produce clean, intelligible financial statements. Up to 25% of the Sub-fund will be invested in smaller faster growing companies with the remainder in more established businesses.

The Sub-fund has issued A Accumulation, B Accumulation and Overseas Accumulation shares.

Investment Manager's Report

for the year ended 30 September 2017

For the twelve months ended 30 September 2017, the Outstanding British Companies Fund's B Accumulation shares recorded a total return of 6.7%, underperforming the IA UK All Companies sector, which registered an average total return of +13.7%.

The past twelve months has been another strong period for UK equities, with the stockmarket benefitting from a recovery in investor confidence following the BREXIT vote. Sterling weakness relative to other major foreign currencies has been particularly helpful to many of Britain's biggest international businesses, which typically generate the majority of their earnings overseas. Positive returns were not limited to large-cap stocks however, as mid-cap and smaller companies also rewarded investors with strong gains throughout 2017 to date. Indeed, total returns for the small-cap and mid-cap indices comfortably exceeded that of the main market during the period under review.

Economic and political uncertainty has been the prevailing theme throughout the period, with BREXIT negotiations dominating the news agenda. The UK Government has so far failed to present a united front making attempts to successfully lead the country out of the European Union that much more difficult. This dysfunctional approach increases the likelihood of the UK being forced to accept a bad deal and of potentially having to leave the EU with no agreement. The Conservative Party's weakened Parliamentary majority following a disastrous General Election campaign also puts the long-term credibility of the current Leadership into sharp focus. A resurgent Labour Party, under Jeremy Corbyn, has managed to capture significant support from young voters who are ill at ease with inequality in British society. The strength of this populist agenda is undoubtedly an increasing risk for UK businesses through the potential imposition of higher taxes and inflationary fiscal policies.

Rising inflation already appears to be acting as an impediment to real economic growth, with UK Gross Domestic Product (GDP) growth rates forecast to decline from 1.8% in 2016, to 1.5% in 2017 and 1.3% in 2018. The sharp devaluation of Sterling sent shockwaves through supply chains as the rising cost of imported goods such as food, clothes and fuel started to hit home. The average UK household is already heavily indebted, with personal debt including credit cards, car finance and personal loans running at record levels. Simultaneously, the average worker has endured a prolonged period of subdued wage growth that has failed to keep pace with inflation. The annual growth in the consumer prices index (CPI), which reached 3.0% in September 2017, its highest level in five years, is providing a strong headwind to economic growth. This is evidenced by weaker discretionary spending across many sectors including pubs, restaurants, cars and fashion. The prospect of a rise in interest rates will act as a further drag on household consumption, which remains the largest component of GDP, accounting for 63% of national expenditure in 2016, according to statistics published by the Office for National Statistics. As such, the outlook for companies in consumer related sectors appears set to remain weak for the foreseeable future.

At this point, it is therefore pertinent to note that the Outstanding British Companies Sub-fund is highly diversified in terms of geographic revenue exposure. In fact, well over half of the earnings from investee companies are generated overseas, and of those businesses that are exposed to the UK economy, these tend to be focused on niche markets such as financial services and healthcare that are typically less dependent on cyclical growth. We therefore believe the Sub-fund is well positioned to withstand the risks associated with a more challenging outlook for consumer spending.

Investment Manager's Report

continued

Unfortunately, the financial year under review was a difficult period for the Outstanding British Companies Fund as it failed to keep pace with UK equity market performance. It is therefore disappointing to report on the Sub-fund's weakest twelve month period, relative to its peers in the UK All Companies sector, since launch. Sub-fund performance was particularly weak during the first six months of the financial year under review, during which the market overall benefitted from a strong recovery in cyclical sectors. The Mining and Oil & Gas sectors performed particularly strongly and, since the Sub-fund has no exposure to these areas, this cost over 400 bps in relative performance terms over the year as a whole. The Sub-fund also has limited exposure to Banks, a heavyweight sector that accounted for an average of 11.5% of market value over the course of the year under review. The Banks enjoyed something of a share price recovery, led by HSBC, which recorded a total return of 29.6%. The absence of meaningful exposure to this sector cost the Sub-fund 309 bps in relative performance terms.

It is however pleasing to note that Sub-fund performance has been steadily improving ever since the start of 2017. The improvement in the Sub-fund's performance relative to peers in the second half of its financial year is encouraging, but ultimately it was insufficiently strong to recover all of the ground lost in the first six-month period.

The strategy of the Sub-fund remains unchanged, aiming to deliver superior compounding total returns over the long-term by investing in a portfolio of high quality companies that can deliver growth in good times and minimise loss of capital during tough times. As such, the increasing trend towards momentum investing strategies, and particularly the growth of 'passive' Exchange Traded Funds (ETFs), which direct capital towards shares with the greatest momentum, without regard to valuation, is not a style that we favour. We therefore retain a prudent approach to capital allocation.

As at 30 September 2017, the Sub-fund held investments in 30 companies (30 September 2016: 29 companies). The net increase of 1 investment resulted from the addition of four new investments, two outright disposals and the corporate takeover of Pinewood by a private real estate fund. This transaction completed early in the financial year under review.

In keeping with our long-term investment approach, the level of trading in the portfolio remained low. No partial disposals were made during the period under review. Positive net cash inflows resulted in a number of holdings being topped-up.

Four holdings were introduced to the Sub-fund, three of which were large-cap companies; British American Tobacco, Babcock International and WPP, increasing the Sub-fund's weighting to larger companies to its highest level in almost five years. This change reflects the relatively attractive valuations for internationally diversified large-caps that were at the time of investment and positions the Sub-fund to benefit from a sustained period of Sterling weakness. A holding in Tracsis was also introduced to the Sub-fund in January 2017. Tracsis is an AIM-quoted leading provider of software and services for the traffic data and transportation industry. The company has an extremely impressive long-term financial track record and is exposed to structural growth drivers of rising global passenger numbers in both rail and road. Unicorn has held an investment in Tracsis via the Unicorn AIM VCT plc since the company listed on AIM in 2007, and the business has grown steadily during this time to reach a market valuation exceeding £100m as at the period end.

The majority of companies delivered pleasing operational performance over the 12 month period and this was reflected in positive share price performances for these investments. However, a small number of stocks suffered from company specific issues. As a result, their operational and financial performances were notably poor. Despite these stock specific setbacks, the Fund Manager continues to believe that a concentrated portfolio is an important element of the investment strategy that has helped deliver significant outperformance against both the market and the peer group in eight out of ten full financial years since launch.

The three largest detractors from performance during the twelve month period were NCC Group, Spire Healthcare and Greene King, which in aggregate cost the Sub-fund £1.9 million in value (equivalent to 392 basis points in Sub-fund performance terms).

NCC Group (-187 bps), a cyber-security and software escrow business, endured a challenging year both financially and operationally. Financial performance was hampered by delays to contract renewals, which in turn led to downgrades in current year earnings forecasts. Serious underlying operational issues were also uncovered following a strategic review; including systematic mis-management of its fast growing Assurance services division. These failures ultimately resulted in the departure of the long-serving Chief Executive and the appointment of a new management team tasked with restructuring the business. Whilst this change may well prove successful in recovering value for shareholders over the longer term, NCC has become a 'special situation' and no longer meets the Sub-fund's key investment criteria. The holding was therefore disposed of in full during the period under review.

Investment Manager's Report

continued

Spire Healthcare (132 bps), an operator of private hospitals, suffered a sharp slowdown in patient referrals from the NHS during the second half of its financial year. This followed a relaxation in 'waiting list' targets by the Department of Health, combined with changes to patient elective referrals, which impose more restrictive protocols on GPs. However, the group's Self-Pay business remained strong, growing by 14% on an underlying basis, while revenues in its Private Medical Insurance (PMI) business were broadly flat. Given the positive market dynamics for private medical care, driven by increasing pressure on NHS services, the investment has been retained in anticipation of a recovery in performance.

Greene King (-73 bps), one of the UK's leading brewers and pub operators, also endured a difficult twelve months, hampered by weak sales across its 'value' food offering and seemingly endless wet weather over the key summer trading period. Cost pressures from the introduction of the National Living Wage combined with meaningful inflation in food and drink costs also led to significant margin pressure. The management team sought to offset these pressure though achieving cost savings arising from the integration of the acquired Spirit Pubs Group. Despite an enviable track record however; unrelenting cost pressure, combined with higher levels of operational gearing means that Greene King faces a real risk of further declines in profitability and the holding was therefore exited in full.

As outlined above, the majority of the long-term holdings in the Sub-fund reported strong operational and financial performance. Twenty one holdings delivered positive total returns during the period. In absolute terms, the top performing stocks were Renishaw (+199 bps) and Anpario (+133 bps), achieving share price growth of 80.6% and 61.0% respectively. Both companies generate a substantial proportion of their earnings overseas, and as such benefitted from the sustained weakness of Sterling relative to foreign currencies during the second half of 2016 and first half of 2017. Renishaw and Anpario occupy attractive niche segments in their respective industries and are delivering positive organic revenue growth while serving an internationally diverse customer base.

Other strong contributors to performance included RWS (+157 bps) and Victrex (+132 bps). RWS strengthened its position in the US Life Sciences market via the acquisition of Luz. Victrex reported solid revenue growth across its core businesses, excluding consumer electronics, and benefited from the foreign currency tailwind as hedging contracts were renewed at more favourable rates. In total and including dividends received, Renishaw, RWS, Anpario and Victrex added over £3 million in value to the Sub-fund, which is equivalent to +621 bps in performance terms. Other strongly positive contributors included; Dechra Pharmaceuticals (+125 bps), Gooch & Housego (+108 bps) and Advanced Medical Solutions (+82 bps).

It is our view that volatility will remain a feature of markets in the coming months, as investors take a view on the progress of Brexit negotiations, the uncertain domestic political landscape and the financial health of the UK consumer. Despite these domestic challenges, the prospects for our investee companies remain bright.

We continue to focus on identifying well managed, profitable and cash generative businesses with strong leadership positions in niche, growing and preferably, global markets. Once identified, those companies that meet our strict investment criteria are expected to remain constituents of the portfolio over many years. We retain a prudent, low turnover approach to investing since, in our opinion, it provides the most effective method of delivering superior returns over the longer term.

Portfolio Statement

as at 30 September 2017

Holding	Security	Market value £	% of total net assets 2017
	Chemicals 6.97% (6.46%)		
49,598	Johnson Matthey	1,696,252	3.33
78,165	Victrex	1,852,511	3.64
		3,548,763	6.97
	Electronic & Electrical Equipment 7.55% (6.69%)		
125,000	Gooch & Housego*	1,725,000	3.39
44,500	Renishaw	2,119,535	4.16
		3,844,535	7.55
	Industrial Engineering 3.32% (3.29%)		
30,697	Spirax-Sarco Engineering	1,692,940	3.32
	Industrial Transportation 2.87% (3.12%)		
94,402	Fisher (James) & Sons	1,462,287	2.87
	Support Services 14.21% (12.45%)		
125,000	Babcock International	1,034,375	2.03
275,480	Mears	1,339,522	2.63
218,000	Murgitroyd*	1,068,200	2.10
500,000	RWS*	1,980,000	3.89
221,000	VP	1,812,200	3.56
		7,234,297	14.21
	Beverages 2.41% (3.05%)		
50,000	Diageo	1,226,500	2.41
	Personal Goods 2.53% (3.06%)		
48,708	Ted Baker	1,288,814	2.53
	Tobacco 2.51% (0.00%)		
27,391	British American Tobacco	1,279,708	2.51
	Healthcare Equipment & Services 8.37% (9.68%)		
600,000	Advanced Medical Solutions*	1,737,000	3.41
114,029	Smith & Nephew	1,535,971	3.02
440,895	Spire Healthcare	987,605	1.94
		4,260,576	8.37
	Pharmaceuticals & Biotechnology 13.17% (13.74%)		
192,958	Abcam*	1,964,312	3.86
432,882	Anpario*	1,731,528	3.40
91,160	Dechra Pharmaceuticals	1,858,752	3.65
30,378	Shire	1,150,415	2.26
		6,705,007	13.17
	General Retailers 5.47% (7.21%)		
61,258	Dignity	1,411,384	2.77
693,655	Saga	1,373,437	2.70
		2,784,821	5.47

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2017
	Media 2.39% (3.39%)		
88,075	WPP	1,218,958	2.39
	Travel & Leisure 0.00% (3.12%)		
	Real Estate Investment Trusts 3.25% (3.22%)		
163,407	Shaftesbury	1,656,947	3.25
	Financial Services 8.16% (9.22%)		
100,394	Arbuthnot Banking*	1,285,043	2.52
480,000	Curtis Banks*	1,440,000	2.83
173,265	Mattioli Woods*	1,429,436	2.81
		4,154,479	8.16
	Software & Computer Services 4.90% (6.73%)		
228,283	Sage	1,593,415	3.13
210,300	Tracsis*	904,290	1.77
		2,497,705	4.90
	Investment assets	44,856,337	88.08
	Net other assets	6,070,793	11.92
	Net assets	50,927,130	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.09.16.

*Quoted on AIM.

Comparative Tables

Change in net assets per share

	A Accumulation		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	275.58	235.23	208.43
Return before operating charges [^]	20.98	44.49	30.63
Operating charges	-4.49	-4.14	-3.83
Return after operating charges [^]	16.49	40.35	20.68
Distributions	-2.29	-0.67	-1.50
Retained distributions on accumulation shares	2.29	0.67	1.50
Closing net asset value per share	292.07	275.58	235.23
[^] After direct transaction costs of	-0.31	-0.80	-0.14
Performance			
Return after charges	5.98%	17.15%	12.86%
Other information			
Closing net asset value	£8,310,595	£7,763,432	£7,568,339
Closing number of shares	2,845,452	2,817,131	3,217,478
Operating charges	1.60%	1.61%	1.64%
Direct transaction costs	0.11%	0.31%	0.06%
Prices			
Highest share price	295.48	278.87	252.63
Lowest share price	261.46	238.42	199.20

	B Accumulation		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	289.61	245.50	215.95
Return before operating charges [^]	22.04	46.43	31.71
Operating charges	-2.51	-2.32	-2.16
Return after operating charges [^]	19.53	44.11	29.55
Distributions	-4.61	-2.72	-3.37
Retained distributions on accumulation shares	4.61	2.72	3.37
Closing net asset value per share	309.14	289.61	245.50
[^] After direct transaction costs of	-0.33	-0.83	-0.15
Performance			
Return after charges	6.74%	17.96%	13.68%
Other information			
Closing net asset value	£42,588,945	£28,245,360	£13,700,577
Closing number of shares	13,776,713	9,752,736	5,580,597
Operating charges	0.85%	0.86%	0.89%
Direct transaction costs	0.11%	0.31%	0.06%
Prices			
Highest share price	312.11	292.99	262.90
Lowest share price	275.13	248.91	206.43

Comparative Tables

continued

Change in net assets per share

	Overseas Accumulation		
	30.09.17 p	30.09.16 p	30.09.15 p
Opening net asset value per share	118.03	100.73	89.25
Return before operating charges [^]	8.90	19.07	13.12
Operating charges	-1.92	-1.77	-1.64
Return after operating charges [^]	6.98	17.30	11.48
Distributions	-0.97	-0.31	-0.65
Retained distributions on accumulation shares	0.97	0.31	0.65
Closing net asset value per share	125.01	118.03	100.73
[^] After direct transaction costs of	-0.13	-0.34	-0.06
Performance			
Return after charges	5.91%	17.17%	12.86%
Other information			
Closing net asset value	£27,590	£188,384	£13,534
Closing number of shares	22,071	159,614	13,436
Operating charges	1.60%	1.61%	1.64%
Direct transaction costs	0.11%	0.31%	0.06%
Prices			
Highest share price	126.47	119.43	108.17
Lowest share price	111.98	102.09	85.30

Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

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

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

Comparative Tables

continued

Risk and reward profile

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



The Sub-fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. During the period under review the category changed from 5 to 4, this is due to the price volatility of the Sub-fund. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Sub-fund:

- Smaller company shares, including AIM companies, can be riskier as they may be more difficult to buy and sell and their share prices may fluctuate more than that of a larger company
- For further risk information please see the prospectus.

Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Statement of Total Return

for the year ended 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
Income					
Net capital gains	2		2,574,037		4,090,154
Revenue	3	1,052,450		526,170	
Expenses	4	(445,541)		(302,038)	
Interest payable and similar charges	4	—		—	
Net revenue before taxation		606,909		224,132	
Taxation	5	—		—	
Net revenue after taxation			606,909		224,132
Total return before distributions			3,180,946		4,314,286
Distributions	6		(606,901)		(224,092)
Change in net assets attributable to Shareholders from investment activities			2,574,045		4,090,194

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2017

	£	30.09.17 £	£	30.09.16 £
Opening net assets attributable to Shareholders		36,197,176		21,282,450
Amounts receivable on issue of shares	28,716,303		22,153,202	
Less: Amounts payable on cancellation of shares	(17,261,447)		(11,613,600)	
		11,454,856		10,539,602
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		2,574,045		4,090,194
Retained distributions on accumulation shares		701,053		284,930
Closing net assets attributable to Shareholders		50,927,130		36,197,176

The notes on pages 96 to 102 form an integral part of these Financial Statements.

Balance Sheet

as at 30 September 2017

	Note	£	30.09.17 £	£	30.09.16 £
ASSETS					
Fixed Assets					
Investments			44,856,337		34,181,040
Current Assets					
Debtors	7	134,392		95,573	
Cash and bank balances	9	6,380,132		2,057,508	
Total current assets			6,514,524		2,153,081
Total assets			51,370,861		36,334,121
LIABILITIES					
Investment liabilities			–		–
Creditors					
Other creditors	8	(443,731)		(136,945)	
Total creditors			(443,731)		(136,945)
Total liabilities			(443,731)		(136,945)
Net assets attributable to Shareholders			50,927,130		36,197,176

The notes on pages 96 to 102 form an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 September 2017

1. Accounting Basis and Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 6 to 8.

2. Net Capital Gains	30.09.17	30.09.16
	£	£
Non-derivative securities	2,575,282	4,090,409
Transaction charges	(1,245)	(255)
Net capital gains	2,574,037	4,090,154

3. Revenue	30.09.17	30.09.16
	£	£
UK dividends: Ordinary	1,045,777	521,054
Property Income Distributions	6,240	4,450
Bank interest	433	623
Stamp duty relief tax refund	–	43
Total revenue	1,052,450	526,170

4. Expenses	30.09.17	30.09.16
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	399,997	266,360
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	26,808	13,777
Safe custody and other bank charges	1,915	1,335
	28,723	15,112
Other expenses:		
Audit fee (including VAT)	9,540	9,633
Listing fees	3,186	3,573
Legal fees	2,464	3,621
Printing costs	1,631	3,739
	16,821	20,566
Expenses	445,541	302,038
Interest payable and similar charges	–	–
Total	445,541	302,038

The charges for Registration and Administration are met by the ACD.

Notes to the Financial Statements

continued

5. Taxation	30.09.17 £	30.09.16 £
(a) Analysis of charge in the year		
Total tax charge (note 5b)	–	–
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	606,909	224,132
Corporation tax at 20%	121,382	44,826
Effects of:		
UK dividends	(209,155)	(104,211)
Income not taxable	–	(8)
Movement in surplus management expenses	87,773	59,393
Total tax charge (note 5a)	–	–

(c) Deferred tax

At the year end there is a potential deferred tax asset of £406,245 (2016: £318,472) in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

6. Distributions

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

	30.09.17 £	30.09.16 £
Final distribution 30.09.17	701,053	284,930
Revenue deducted on cancellation of Shares	172,621	53,596
Revenue received on issue of Shares	(266,773)	(114,434)
Distributions	606,901	224,092
Reconciliation of net revenue after taxation to net distributions:		
Net revenue after taxation per Statement of Total Return	606,909	224,132
Income allocated to capital	–	(43)
Undistributed revenue brought forward	4	7
Undistributed revenue carried forward	(12)	(4)
Distributions	606,901	224,092

Notes to the Financial Statements

continued

7. Debtors	30.09.17	30.09.16
	£	£
Amounts receivable on issues	70,551	51,788
Accrued income:		
Bank interest receivable	48	45
Dividends receivable	61,677	41,332
Prepaid expenses:		
Legal fee	1,345	1,511
Listing fee	771	897
Total debtors	134,392	95,573
8. Other Creditors	30.09.17	30.09.16
	£	£
Amounts payable on cancellations	384,473	32,488
Purchases awaiting settlement	–	65,182
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	36,566	26,638
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	12,042	1,789
Safe custody and other bank charges	380	228
	12,422	2,017
Other expenses:		
Audit fee (including VAT)	9,270	9,120
Printing costs	1,000	1,500
	10,270	10,620
Total other creditors	443,731	136,945
9. Cash and Bank Balances	30.09.17	30.09.16
	£	£
Cash and bank balances	6,380,132	2,057,508
Cash and bank balances	6,380,132	2,057,508

Notes to the Financial Statements

continued

10. Related Party Transactions

Management charges paid to the ACD, Unicorn Asset Management Ltd are shown in note 4, the amounts due at the year end in respect of Management fees are shown in note 8.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

Unicorn Asset Management Ltd and its associates had the following shareholdings in the Sub-fund:

	Held at 30.09.17	Change in period	Held at 30.09.16
B Accumulation Shares			
Colin Howell - Chairman	–	(35,000)	35,000
Jean Howell - Chairman's wife	9,800	–	9,800
Philip John - Finance and Operations Director	14,028	5,142	8,886
Chris Hutchinson - Director	2,627	2,627	–
Overseas Accumulation Shares			
Unicorn Asset Management Ltd	10,000	–	10,000

At the year end the Sub-fund did not hold shares in any of the other Sub-funds within the Unicorn Investment Funds.

11. Contingent Liabilities and Outstanding Commitments

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

12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 8 to 9.

Numerical disclosures relating to the Sub-fund are as follows:

Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £4,485,634 (2016: £3,418,104).

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

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

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

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

30.09.17

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Pound sterling	6,380,132	44,990,729	51,370,861
	6,380,132	44,990,729	51,370,861

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	443,731	443,731
	443,731	443,731

30.09.16

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Pound sterling	2,057,508	34,276,613	36,334,121
	2,057,508	34,276,613	36,334,121

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	136,945	136,945
	136,945	136,945

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

30.09.17

Analysis of purchases	Net purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	10,844,351	12,417	0.11%	34,706	0.32%	10,797,228
Total purchases after commissions and tax	10,844,351					
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	2,744,337	4,566	0.17%	5	0.00%	2,748,908
Total sales after commissions and tax	2,744,337					
Commission as a % of the average net assets	0.04%					
Taxes as a % of the average net assets	0.07%					

30.09.16

Analysis of purchases	Net purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	12,313,896	27,424	0.22%	52,710	0.43%	12,233,762
Corporate actions	(32,439)	–	0.00%	–	0.00%	(32,439)
Total purchases after commissions and tax	12,281,457					
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	2,816,450	6,385	0.23%	9	0.00%	2,822,844
Total sales after commissions and tax	2,816,450					
Commission as a % of the average net assets	0.12%					
Taxes as a % of the average net assets	0.19%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 91 and 92. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

Notes to the Financial Statements

continued

14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2017 is 0.93% (2016: 1.12%).

15. Fair Value Disclosure

Valuation technique	30.09.17		30.09.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 [^]	44,856,337	–	34,181,040	–
Level 2 ^{^^}	–	–	–	–
Level 3 ^{^^^}	–	–	–	–
	44,856,337	–	34,181,040	–

[^]Level 1: Unadjusted quoted price in an active market for an identical instrument.

^{^^}Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

^{^^^}Level 3: Valuation techniques using unobservable inputs.

16. Shareholders Funds

	A Accumulation	B Accumulation	Overseas Accumulation
Opening number of Shares	2,817,131	9,752,736	159,614
Shares issued	753,845	9,148,556	90,332
Shares cancelled	(699,699)	(5,241,611)	–
Shares converted	(25,825)	117,032	(227,875)
Closing number of Shares	2,845,452	13,776,713	22,071

Distribution Table

for the year ended 30 September 2017

Accumulation Share Distribution

Share class	Distribution	Shares	Net revenue p	Equalisation p	Amount reinvested 2017 p	Amount reinvested 2016 p
A	Final	Group 1	2.2917	–	2.2917	0.6729
		Group 2	0.5139	1.7778	2.2917	0.6729
B	Final	Group 1	4.6138	–	4.6138	2.7221
		Group 2	1.6230	2.9908	4.6138	2.7221
Overseas	Final	Group 1	0.9705	–	0.9705	0.3098
		Group 2	–	0.9705	0.9705	0.3098

Final period: 01.10.16 - 30.09.17

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

Investment Objective and Policy

The Unicorn UK Ethical Income Fund aims to achieve an historic yield in excess of 110% of the FTSE All Share yield, over a 3 year period, by investing primarily in UK companies which meet the ACD's ethical guidelines. For this purpose, UK companies are treated as those which are incorporated or domiciled in the UK, or derive a significant amount of their business from the UK. Selection of such ethical equities will be undertaken on the basis of thorough company analysis, with ethical and socially responsible criteria reviewed at the point of investment and quarterly thereafter.

The Sub-fund may also invest, at its discretion, in other transferable securities, money market instruments, deposits, cash and near cash and collective investment schemes. The Sub-fund may also enter into certain derivative and forward transactions for Hedging purposes.

The Sub-fund mainly invests in UK quoted companies with a bias towards small and medium sized companies. Some of the companies may be quoted on AIM. There is no guarantee that the target return will be achieved over a 3 year, or any other period, and investors should note that capital is at risk. The Sub-fund may invest in a relatively small number of companies giving rise to a greater degree of risk than in funds with a more widely diversified portfolio.

The Sub-fund has issued A Income and Accumulation and B Income and Accumulation shares.

Investment Manager's Report

for the year ended 30 September 2017

For the twelve months ended 30 September 2017, the Sub-fund's B Income shares produced a total return of 19.04% (1904 basis points). This compares to an average total return of 11.78% from funds in the UK Equity Income sector.

As at the 30 September 2017, the Sub-fund held investments in 36 companies.

The Unicorn UK Ethical Income Sub-fund is an ethically screened version of the Unicorn UK Income Sub-fund. As such, its universe of stocks is sourced directly from the UK Income Sub-fund and an external service is then used to screen out companies that generate revenues from prohibited sectors or those with environmental, social or governance concerns. In addition to these screens, which are performed by MSCI, there is an additional internal assessment undertaken by the Fund Manager.

The correlation of returns between the UK Ethical Income Sub-fund and UK Income Sub-fund has been high ever since the Ethical Sub-fund's launch in April 2016. Nevertheless, differences in returns between the two Sub-fund may arise, primarily due to the effect of excluded stocks, and the timing of trades due to cash flows in or out of either Sub-fund. During the financial year ended 30 September 2017, the difference in performance between the two Sub-fund's was 1.6%, in favour of the UK Income Fund. While the UK Ethical Income Sub-fund did not enjoy the particularly positive contributions from three excluded stocks, namely; BBA Aviation, Conviviality and Victrex; it did however benefit from the exclusion of Greene King, which was a notable negative contributor to the performance of the UK Income Fund during the period.

The returns delivered during the period have been achieved against an uncertain domestic backdrop. Brexit negotiations continue to advance at a slow pace with no real clarity emerging surrounding the terms of the UK's exit from the European Union. Following what was widely perceived to be a fairly disastrous election campaign the Prime Minister, Theresa May, continues to face scrutiny over her leadership capabilities from both inside and outside her own party. The sharp fall in the value of sterling immediately following the EU referendum has also presented a number of challenges domestically, as consumers and businesses struggle with the consequent inflation in the cost of imported goods and services. The prospect of a rise in interest rates is also likely to create further pressure on discretionary consumer spending. On a positive note, the UK economy continues to grow – in contrast to many analyst expectations immediately following the referendum and unemployment levels also remain near record lows. While weakness in the value of Sterling has created domestic challenges, many UK based exporters are benefitting from increased competitiveness internationally.

The Sub-fund remained differentiated from many of its peers by maintaining a strong bias towards small and mid-cap companies during the year. The weighting in large-cap stocks remained low throughout the year, and represented less than 3% of the portfolio by value, at the year end.

Investment Manager's Report

continued

The Sub-fund continues to invest solely in UK Equities and investment horizons remain long term in nature. From time to time, and in certain market conditions, shorter term investments may be made in higher yielding, larger capitalised companies in order to effectively manage liquidity and provide supplementary income to that generated by the core portfolio.

Unsurprisingly, the correlation of the Sub-fund with the UK Equity Income sector also remained low during the period. In addition to the obvious merits of income diversification, we remain firmly of the view that investing for income in small and medium sized companies offers additional and compelling attributes for long term investors. In the smaller companies' universe, long term profit growth is often more sustainable, dividend cover (and therefore dividend quality) can be higher and the track record of dividend growth is typically superior. Lower levels of analyst coverage in our investment universe also helps to create opportunities to invest in assets that can often be mispriced.

The total return of 18.9% during the period under review was driven by a broad range of individual holdings.

The most notable contributions to performance were as follows:-

- **Hostelworld** (258 bps), an online hostel booking platform, enjoyed a period of share price recovery during the period, as demand for European hostels improved following a weak period in the prior year caused by a series of terror attacks in Europe. Because Hostelworld is an inherently cash generative business, the Board was able to declare a special dividend of €0.1 during the period, which was in addition to a full year payment of €0.15.
- **FDM** (202 bps), a provider of outsourced graduate recruitment services, continued to generate strong growth in both earnings and dividends. The Sub-fund's holding in FDM was increased in the days following the EU referendum after a short period of severe share price weakness. The average price paid for these additional shares was 435 pence per share. By the end of the period under review, FDM's share price had increased to over 1000 pence per share. Partial profits were also taken in this position during the period, but it too remains a core long term holding.
- **Marshalls** (193 bps), a paving and building products manufacturer, performed well during the period thanks to continued strong trading in its core UK market, leading to an impressive improvement in operating margins. During the period, the Board of Marshalls announced a 22% increase in the ordinary dividend and, for the second year in a row, declared a supplementary (special) dividend. The size of this holding was reduced slightly during the period in order to lock in profits.
- **Lavendon** (134 bps), a powered access, equipment rental business, received a series of competing bids from two prospective trade buyers during the period. As a result, the holding was exited in full in January 2017, at a price of 261 pence per share, which crystallised a significant capital profit for the Sub-fund.
- **RPS** (158bps), an international consultancy group, delivered strong and broad-based organic growth across all of its key geographies; Europe; North America and Asia; and also benefiting from depreciations in sterling given a high proportion of overseas revenues.

Other notable positive contributors to performance included Polar Capital (125 bps), Vesuvius (121 bps), River & Mercantile (110 bps) and Numis (86 bps).

There were a handful of negative contributors during the period, although in the context of the total Sub-fund performance, the aggregate cost was a modest 334 bps.

Secure Trust Bank, a challenger bank, was the primary detractor from performance over the course of the year, which cost the Fund 111 bps. The bank elected to tighten its lending criteria during the period by focusing on lower margin, secured lending rather than higher risk, unsecured loans. We believe this to be a prudent move by a management team that we hold in high regard and we remain fully committed to the longer term investment case.

Epwin, which manufactures PVC products for windows and doors, was another meaningful detractor, costing the Sub-fund 91 bps in performance terms. A combination of competitive market conditions and rising input costs proved challenging for Epwin during the period and resulted in full year expectations being revised lower. Decisive action by the management team to reduce costs has alleviated the situation and we remain confident that the dividend is sustainable even though the shares were yielding over 8% at the year end.

Investment Manager's Report

continued

The Sub-fund ended the period with 36 holdings, following the addition of nine new stocks offsetting fourteen disposals.

The nine positions initiated and their contributions to performance were; Vesuvius (121 bps), a supplier of consumables to the global steel production market; Somero Enterprises (57 bps), a manufacturer of laser guided concrete spreading equipment; Alpha FX (32 bps), an innovative corporate FX business; Xafinity (42 bps), a provider of administration services to the defined benefit pension market; Dairy Crest (29 bps), a manufacturer of dairy food products; 4Imprint (29 bps), a supplier of branded corporate promotional merchandise; Gateley (16 bps), a quoted legal firm and Phoenix Group (11bps), a consolidator of closed life insurance and pension funds. Alpha FX and Xafinity were added to the Sub-fund at their respective IPO's. Two further small positions were added to the portfolio but were subsequently sold due to poor liquidity resulting in an inability to build an appropriate position size at a sufficiently attractive price.

Volatility is likely to remain a feature of markets in the coming months as the investment community takes a view on the progress of Brexit negotiations, the uncertain domestic political landscape, the financial health of the UK consumer, the prospect of interest rate rises and the potential for large fluctuations in the value of Sterling.

Against this uncertain and potentially volatile backdrop our approach remains unchanged. We continue to back high quality, well capitalised businesses with the ability to pay growing and well-covered dividends over the longer term. As active managers we seek to take advantage of short term periods of share price volatility in order to enhance investor returns. We are continually seeking opportunities to improve the overall quality of the portfolio and the long term income generating prospects for the Sub-fund. While we acknowledge that the UK is entering a challenging period, both economically and politically, we remain firmly of the belief that investing in high quality, income generating, small and mid-cap companies is a compelling strategy for long term UK equity investors.

Portfolio Statement

as at 30 September 2017

Holding	Security	Market value £	% of total net assets 2017
	Chemicals 0.00% (2.71%)		
	Construction & Materials 7.30% (9.09%)		
238,525	Epwin*	187,242	1.84
58,551	James Halstead*	256,893	2.52
68,584	Marshalls	298,683	2.94
		<hr/>	
		742,818	7.30
	Industrial Goods & Services 1.30% (0.00%)		
88,000	Gateley*	132,000	1.30
	General Industrials 6.43% (0.00%)		
370,384	Low & Bonar	293,529	2.89
61,134	Vesuvius	360,385	3.54
		<hr/>	
		653,914	6.43
	Industrial Engineering 8.96% (4.85%)		
64,398	Castings	298,163	2.93
23,140	Hill & Smith	291,795	2.87
118,843	Somero Enterprises*	320,876	3.16
		<hr/>	
		910,834	8.96
	Industrial Transportation 1.50% (6.33%)		
65,000	Wincanton	152,750	1.50
	Support Services 3.05% (11.71%)		
107,569	RPS	310,337	3.05
	Food Producers 3.12% (0.00%)		
51,824	Dairy Crest	317,681	3.12
	Household Goods & Home Construction 2.71% (2.90%)		
46,985	Headlam	275,332	2.71
	Leisure Goods 0.00% (2.50%)		
	General Retailers 6.52% (7.05%)		
105,999	Card Factory	325,841	3.21
503,054	Pendragon	159,720	1.57
89,533	Saga	177,275	1.74
		<hr/>	
		662,836	6.52
	Media 2.65% (0.00%)		
14,719	4imprint	269,505	2.65
	Travel & Leisure 5.65% (5.66%)		
48,100	Cineworld	325,156	3.20
70,165	Hostelworld	249,086	2.45
		<hr/>	
		574,242	5.65

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2017
	Fixed Line Telecommunications 6.05% (7.60%)		
155,087	Manx Telecom*	297,767	2.93
29,269	Telecom Plus	317,861	3.12
		615,628	6.05
	Banks 3.02% (3.15%)		
17,324	Secure Trust Bank	306,635	3.02
	Life Insurance 2.52% (0.00%)		
33,865	Phoenix Group	255,850	2.52
	Real Estate Investment & Services 2.81% (1.64%)		
81,680	Palace Capital*	285,880	2.81
	Real Estate Investment Trusts 9.54% (11.31%)		
186,497	Londonmetric Property	309,772	3.04
69,763	Mucklow (A&J)	362,768	3.57
243,947	Primary Health properties	297,615	2.93
		970,155	9.54
	Financial Services 19.34% (12.66%)		
37,318	Alpha FX*	175,395	1.73
66,594	Brewin Dolphin	232,013	2.28
112,784	Numis*	316,641	3.11
387,181	Park*	313,617	3.08
71,545	Polar Capital*	314,261	3.09
97,354	River & Mercantile	306,665	3.02
184,590	Xafinity	308,265	3.03
		1,966,857	19.34
	Software & Computer Services 5.11% (5.83%)		
30,000	FDM	288,150	2.83
9,738	Micro Focus International	232,349	2.28
		520,499	5.11
	Investment assets	9,923,753	97.58
	Net other assets	246,507	2.42
	Net assets	10,170,260	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.09.16.

*Quoted on AIM.

Comparative Tables

Change in net assets per share

	A Income [†]		A Accumulation [†]	
	30.09.17 p	30.09.16 ^{^^} p	30.09.17 p	30.09.16 ^{^^} p
Opening net asset value per share	100.20	100.00	100.62	100.00
Return before operating charges [^]	19.94	2.19	20.27	2.19
Operating charges	-1.70	-1.57	-1.73	-1.57
Return after operating charges [^]	18.24	0.62	18.54	0.62
Distributions	-4.75	-0.42	-4.85	-0.42
Retained distributions on accumulation shares	n/a	n/a	4.85	0.42
Closing net asset value per share	113.69	100.20	119.16	100.62
[^] After direct transaction costs of	-0.95	-1.05	-0.96	-1.05
Performance				
Return after charges	18.20%	0.62%	18.43%	0.62%
Other information				
Closing net asset value	£29,616	£10,020	£30,904	£10,062
Closing number of shares	26,048	10,000	25,934	10,000
Operating charges	1.56%	1.56%	1.56%	1.56%
Direct transaction costs	0.87%	1.04%	0.87%	1.04%
Prices				
Highest share price	119.18	101.45	121.67	101.45
Lowest share price	96.70	99.57	97.20	99.58

^{^^}A Income and Accumulation share classes launched on 06 September 2016.

[†]The Investment Manager rebates the Sub-fund's operating charges in order for them not to exceed 1.56% of the average net asset value of the Sub-fund.

	B Income [†]		B Accumulation [†]	
	30.09.17 p	30.09.16 ^{^^} p	30.09.17 p	30.09.16 ^{^^} p
Opening net asset value per share	97.60	100.00	100.52	100.00
Return before operating charges [^]	19.44	1.08	20.32	1.30
Operating charges	-0.86	-0.77	-0.90	-0.78
Return after operating charges [^]	18.58	0.31	19.42	0.52
Distributions	-4.63	-2.71	-4.86	-2.76
Retained distributions on accumulation shares	n/a	n/a	4.86	2.76
Closing net asset value per share	111.55	97.60	119.94	100.52
[^] After direct transaction costs of	-0.93	-1.00	-0.97	-1.00
Performance				
Return after charges	19.04%	0.31%	19.32%	0.52%
Other information				
Closing net asset value	£2,943,419	£936,211	£7,166,321	£1,942,253
Closing number of shares	2,638,555	959,253	5,974,788	1,932,203
Operating charges	0.81%	0.81%	0.81%	0.81%
Direct transaction costs	0.87%	1.04%	0.87%	1.04%
Prices				
Highest share price	116.65	100.30	122.16	101.32
Lowest share price	94.25	84.68	97.21	86.14

^{^^}B Income and Accumulation share classes launched on 01 April 2016.

[†]The Investment Manager rebates the Sub-fund's operating charges in order for them not to exceed 0.81% of the average net asset value of the Sub-fund.

Comparative Tables

continued

Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

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

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within these tables have been calculated against the average Net Asset Value for the accounting year.

Risk and reward profile

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



The Sub-fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. During the period under review the category changed from 5 to 4, this is due to the price volatility of the Sub-fund. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Sub-fund:

- The level of targeted income is not guaranteed and may not be achieved.
- This Sub-fund may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Sub-fund's value than if it held a larger number of investments.
- Smaller company shares can be riskier as they may be more difficult to buy and sell and their share price may fluctuate more than that of larger companies.
- For further risk information please see the prospectus.

Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Statement of Total Return

for the year ended 30 September 2017

	Note	01.10.16 to 30.09.17		01.04.16 to 30.09.16	
		£	£	£	£
Income					
Net capital gains	2		773,909		64,335
Revenue	3	294,363		52,194	
Expenses	4	(40,163)		(1,912)	
Interest payable and similar charges	4	—		(4)	
Net revenue before taxation		254,200		50,278	
Taxation	5	(3,187)		(553)	
Net revenue after taxation			251,013		49,725
Total return before distributions			1,024,922		114,060
Distributions	6		(293,410)		(55,645)
Change in net assets attributable to Shareholders from investment activities			731,512		58,415

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2017

		01.10.16 to 30.09.17		01.04.16 to 30.09.16	
		£	£	£	£
Opening net assets attributable to Shareholders			2,898,546		—
Amounts receivable on issue of shares		10,457,346		2,908,202	
Less: Amounts payable on cancellation of shares		(4,144,407)		(108,981)	
			6,312,939		2,799,221
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)			731,512		58,415
Retained distributions on accumulation shares			227,263		40,910
Closing net assets attributable to Shareholders			10,170,260		2,898,546

The notes on pages 113 to 120 form an integral part of these Financial Statements.

Balance Sheet

as at 30 September 2017

	Note	30.09.17		30.09.16	
		£	£	£	£
ASSETS					
Fixed Assets					
Investments			9,923,753		2,753,370
Current Assets					
Debtors	7	408,075		48,864	
Cash and bank balances	9	324,536		161,630	
Total current assets			732,611		210,494
Total assets			10,656,364		2,963,864
LIABILITIES					
Investment liabilities			–		–
Creditors					
Distribution payable		(37,233)		(11,679)	
Other creditors	8	(448,871)		(53,639)	
Total creditors			(486,104)		(65,318)
Total liabilities			(486,104)		(65,318)
Net assets attributable to Shareholders			10,170,260		2,898,546

The notes on pages 113 to 120 form an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 September 2017

1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 6 to 8.

2. Net Capital Gains

	01.10.16 to 30.09.17	01.04.16 to 30.09.16
	£	£
Non-derivative securities	786,277	70,365
Transaction charges	(12,368)	(6,030)
Net capital gains	773,909	64,335

3. Revenue

	01.10.16 to 30.09.17	01.04.16 to 30.09.16
	£	£
UK dividends: Ordinary	235,099	46,612
Overseas dividends	35,836	897
Property Income Distributions	23,396	4,668
Bank interest	32	11
Sundry	–	6
Total revenue	294,363	52,194

4. Expenses

	01.10.16 to 30.09.17	01.04.16 to 30.09.16
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	48,813	7,401
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	17,400	6,412
Safe custody and other bank charges	(285)	602
	17,115	7,014

Notes to the Financial Statements

continued

4. Expenses (continued)	01.10.16 to 30.09.17 £	01.04.16 to 30.09.16 £
Other expenses:		
Audit fee (including VAT)	9,540	8,400
Listing fees	2,289	–
Legal fees	6,270	7,351
Printing costs	71	1,587
	18,170	17,338
Total Ongoing charge rebates accrued against expenses	(43,935)	(29,841)
Expenses	40,163	1,912
Interest payable and similar charges	–	4
Total	40,163	1,916

The charges for Registration and Administration are met by the ACD.

5. Taxation	01.10.16 to 30.09.17 £	01.04.16 to 30.09.16 £
(a) Analysis of charge in the year:		
Corporation tax at 20%	–	553
Overseas tax	3,187	–
Total tax charge (note 5b)	3,187	553
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	254,200	50,278
Corporation tax at 20%	50,840	10,056
Effects of:		
UK dividends	(47,020)	(9,323)
Movement in surplus management expenses	3,347	–
Overseas tax expensed	3,187	–
Non-taxable overseas earnings	(7,167)	(180)
Total tax charge (note 5a)	3,187	553

(c) Deferred tax

At the year end there is a potential deferred tax asset of £3,347 (2016: £nil) in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6. Distributions

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

		01.10.16 to 30.09.17	01.04.16 to 30.09.16
		£	£
First interim distribution	31.12.16	27,799	–
Second interim distribution	31.03.17	48,715	–
Third interim distribution	30.06.17	118,099	29,608
Final distribution	30.09.17	126,192	36,079
		320,805	65,687
Revenue deducted on cancellation of Shares		30,277	835
Revenue received on issue of Shares		(57,672)	(10,877)
Distributions		293,410	55,645

Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		251,013	49,725
Expenses allocated to capital		48,813	7,401
Relief on expenses allocated to capital		(6,414)	(1,480)
Undistributed revenue brought forward		1	–
Undistributed revenue carried forward		(3)	(1)
Distributions		293,410	55,645

7. Debtors

		30.09.17	30.09.16
		£	£
Amounts receivable on issues		119,742	20,793
Sales awaiting settlement		236,398	4,962
Accrued income:			
Bank interest receivable		3	–
Dividends receivable		45,556	13,220
Overseas tax recoverable		187	34
Total ongoing charge rebates		3,299	4,690
UK income tax recoverable		325	–
Prepaid expenses:			
Legal fee		1,794	5,165
Listing fee		771	–
Total debtors		408,075	48,864

Notes to the Financial Statements

continued

8. Other Creditors	30.09.17	30.09.16
	£	£
Amounts payable on cancellations	137,317	48
Purchases awaiting settlement	286,644	39,371
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's Management fee	6,315	1,781
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	8,811	1,411
Safe custody and other bank charges	64	575
	<u>8,875</u>	<u>1,986</u>
Other expenses:		
Audit fee (including VAT)	9,270	8,400
Printing costs	450	1,500
	<u>9,720</u>	<u>9,900</u>
Taxation payable:		
Corporation tax payable	–	553
Total other creditors	<u>448,871</u>	<u>53,639</u>
9. Cash and Bank Balances	30.09.17	30.09.16
	£	£
Cash and bank balances	324,536	161,630
Cash and bank balances	<u>324,536</u>	<u>161,630</u>

Notes to the Financial Statements

continued

10. Related Party Transactions

Management charges paid to the ACD, Unicorn Asset Management Ltd are shown in note 4, the amounts due at the year end in respect of Management fees are shown in note 8.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

Amounts receivable from the ACD for total ongoing charge rebates accrued against expenses are disclosed in note 4 and amounts due at the year end are shown in note 7.

Unicorn Asset Management Ltd and its associates had the following shareholdings in the Sub-fund:

	Held at 30.09.17	Change in period	Held at 30.09.16
A Income Shares			
Unicorn Asset Management Ltd	10,339	339	10,000
A Accumulation Shares			
Unicorn Asset Management Ltd	10,000	–	10,000

Unicorn AIM VCT Plc, a company for which Unicorn Asset Management Ltd acts as investment manager held shares in issue in the Sub-fund as follows:

	30.09.17	Change in period	30.09.16
B Income Shares	18.95%	-33.17%	52.12%
B Accumulation Shares	8.37%	-17.51%	25.88%

At the year end the Sub-fund did not hold shares in any of the other Sub-funds within the Unicorn Investment Funds.

11. Contingent Liabilities and Outstanding Commitments

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

12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing of these risks are disclosed in the risk management policies on pages 8 to 9.

Numerical disclosures relating to the Sub-fund are as follows:

Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £992,375 (2016: £275,337).

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

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

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

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

30.09.17

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	4,403	4,403
Pound sterling	324,536	10,325,350	10,649,886
United States dollar	–	2,075	2,075
	324,536	10,331,828	10,656,364

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	486,104	486,104
	486,104	486,104

30.09.16

Currency	Floating rate financial assets £	Financial assets not carrying interest £	Total £
Euro	–	778	778
Pound sterling	161,630	2,801,456	2,963,086
	161,630	2,802,234	2,963,864

Currency	Financial liabilities not carrying interest £	Total £
Pound sterling	65,318	65,318
	65,318	65,318

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

30.09.17

Analysis of purchases	Net purchase cost	Commissions paid		Taxes		Purchases before transaction cost
	£	£	%	£	%	£
Equities	9,309,494	17,139	0.18%	33,655	0.36%	9,258,700
Corporate actions	(17,930)	–	0.00%	–	0.00%	(17,930)
Total purchases after commissions and tax	9,291,564					
Analysis of sales	Net sale proceeds	Commissions paid		Taxes		Sales before transaction cost
	£	£	%	£	%	£
Equities	2,907,450	5,349	0.18%	74	0.00%	2,912,873
Total sales after commissions and tax	2,907,450					
Commission as a % of the average net assets	0.35%					
Taxes as a % of the average net assets	0.52%					

30.09.16

Analysis of purchases	Net purchase cost	Commissions paid		Taxes		Purchases before transaction cost
	£	£	%	£	%	£
Equities	2,949,338	8,314	0.28%	12,036	0.41%	2,928,988
Corporate actions	(17,696)	–	0.00%	–	0.00%	(17,696)
Total purchases after commissions and tax	2,931,642					
Analysis of sales	Net sale proceeds	Commissions paid		Taxes		Sales before transaction cost
	£	£	%	£	%	£
Equities	248,636	577	0.23%	4	0.00%	249,217
Total sales after commissions and tax	248,636					
Commission as a % of the average net assets	0.44%					
Taxes as a % of the average net assets	0.60%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on page 109. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

Notes to the Financial Statements

continued

14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2017 is 1.13% (2016: 0.97%).

15. Fair Value Disclosure

Valuation technique	30.09.17		30.09.16	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 [^]	9,923,753	–	2,753,370	–
Level 2 ^{^^}	–	–	–	–
Level 3 ^{^^^}	–	–	–	–
	9,923,753	–	2,753,370	–

[^] Level 1: Unadjusted quoted price in an active market for an identical instrument.

^{^^} Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

^{^^^} Level 3: Valuation techniques using unobservable inputs.

16. Shareholders Funds

	A Income	A Accumulation	B Income	B Accumulation
Opening number of Shares	10,000	10,000	959,253	1,932,203
Shares issued	26,718	16,238	2,518,256	6,871,948
Shares cancelled	(10,670)	(304)	(838,954)	(2,829,363)
Closing number of Shares	26,048	25,934	2,638,555	5,974,788

Distribution Tables

for the year ended 30 September 2017

Income Share Distributions

Share class	Distribution	Shares	Net revenue p	Equalisation p	Distribution payable 2017 p	Distribution paid 2016 p
A	First Interim	Group 1	0.9510	–	0.9510	N/A
		Group 2	0.2779	0.6731	0.9510	N/A
	Second Interim	Group 1	0.7962	–	0.7962	N/A
		Group 2	0.6311	0.1651	0.7962	N/A
	Third Interim	Group 1	1.5820	–	1.5820	N/A
		Group 2	0.1891	1.3929	1.5820	N/A
	Final	Group 1	1.4193	–	1.4193	0.4177
		Group 2	0.2667	1.1526	1.4193	0.4177
B	First Interim	Group 1	0.9099	–	0.9099	N/A
		Group 2	0.3086	0.6013	0.9099	N/A
	Second Interim	Group 1	0.7692	–	0.7692	N/A
		Group 2	0.5705	0.1987	0.7692	N/A
	Third Interim	Group 1	1.5488	–	1.5488	1.4942
		Group 2	0.4872	1.0616	1.5488	1.4942
	Final	Group 1	1.3971	–	1.3971	1.2132
		Group 2	0.3948	1.0023	1.3971	1.2132

Accumulation Share Distribution

Share class	Distribution	Shares	Net revenue p	Equalisation p	Amount reinvested 2017 p	Amount reinvested 2016 p
A	First Interim	Group 1	0.9572	–	0.9572	N/A
		Group 2	–	0.9572	0.9572	N/A
	Second Interim	Group 1	0.7816	–	0.7816	N/A
		Group 2 [^]	–	–	–	N/A
	Third Interim	Group 1	1.6314	–	1.6314	N/A
		Group 2	0.1131	1.5183	1.6314	N/A
	Final	Group 1	1.4763	–	1.4763	0.4177
		Group 2	0.5706	0.9057	1.4763	0.4177
B	First Interim	Group 1	0.9515	–	0.9515	N/A
		Group 2	0.3470	0.6045	0.9515	N/A
	Second Interim	Group 1	0.8049	–	0.8049	N/A
		Group 2	0.6494	0.1555	0.8049	N/A
	Third Interim	Group 1	1.6208	–	1.6208	1.4968
		Group 2	0.4156	1.2052	1.6208	1.4968
	Final	Group 1	1.4825	–	1.4825	1.2606
		Group 2	0.7525	0.7300	1.4825	1.2606

[^]There were no Group 2 Shares as at 31 March 2017.

Distribution Tables

continued

First interim period: 01.10.16 - 31.12.16

Second interim period: 01.01.17 - 31.03.17

Third interim period: 01.04.17 - 30.06.17

Final period: 01.07.17 - 30.09.17

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

General Information

Authorised Status

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

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

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

The Company was incorporated in England and Wales on 21 December 2001 under registration number IC000143. The Shareholders are not liable for the debts of the Company.

The Company currently has 6 Sub-Funds, which are detailed below:

- Unicorn UK Growth Fund
- Unicorn Mastertrust Fund
- Unicorn UK Smaller Companies Fund
- Unicorn UK Income Fund
- Unicorn Outstanding British Companies Fund
- Unicorn UK Ethical Income Fund

Head Office

First Floor Office, Preacher’s Court, The Charterhouse, Charterhouse Square, London EC1M 6AU.

Address for Service

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

Base Currency

The base currency of the Company is Pounds Sterling.

Share Capital

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

Classes of Shares

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

The Sub-funds currently have the following classes of shares available for investment:

Sub-fund	Share class					
	A		B		Overseas	
	Inc	Acc	Inc	Acc	Inc	Acc
Unicorn UK Growth Fund	✓	–	✓	–	✓	–
Unicorn Mastertrust Fund	✓	–	✓	–	✓	–
Unicorn UK Smaller Companies Fund	✓	–	✓	–	✓	–
Unicorn UK Income Fund	✓	✓	✓	✓	✓	✓
Unicorn Outstanding British Companies Fund	–	✓	–	✓	–	✓
Unicorn UK Ethical Income Fund	✓	✓	✓	✓	–	–

The Company may issue both Income and Accumulation Shares.

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

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

General Information

continued

Valuation Point

The scheme property of the Company and each Sub-fund will normally be valued at 10:00 on each dealing day for the purpose of calculating the price at which shares in the Company may be issued, sold, repurchased or redeemed.

For the purpose of the pricing of shares, a business day is defined as a day on which the dealing office of the ACD is open for the buying and selling of shares. The ACD may at any time during a business day carry out an additional valuation of the property of the Company or any Sub-fund if the ACD considers it desirable to do so, with the Depositary's approval.

Buying, Redeeming and Switching of Shares

The ACD will accept orders for the purchase, sale and switching of shares on normal business days between 09:30 and 16:30. Instructions to buy or sell shares may either be in writing to:

Maitland Institutional Services Limited
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW
Or by telephone on:
0345 026 4287

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

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

Pricing Basis

There is a single price for buying, selling and switching shares in a Sub-fund which represents the Net Asset Value of the Sub-fund concerned. The share price is calculated on a forward pricing basis, that is at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD. The prices of shares are published daily on the Investment Association website at www.fundlistings.com and on the Financial Times website at www.ft.com. Neither the ACD nor the Company can be held responsible for any errors in the publication of the prices. The shares in the Company will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

Other Information

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

Shareholders who have complaints about the operation of the Company should in the first instance contact the ACD. In the event that a Shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

Remuneration of the Authorised Corporate Director

Following recent changes to the rules applicable to UCITS management companies, the ACD, Unicorn Asset Management Limited, adopted on 18 March 2016 a revised remuneration policy which is consistent with the new remuneration principles applicable to UCITS management companies.

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

Further information is available in the ACD's Remuneration Policy document which can be obtained from www.unicornam.com. A paper copy of the remuneration policy is available on request from the registered office of the Authorised Corporate Director free of charge.

General Information

continued

Remuneration paid by the Authorised Corporate Director (continued)

30.09.17	Number of Beneficiaries	Total Remuneration Paid	Fixed Remuneration	Variable Remuneration Paid
Total remuneration paid by the ACD during the year	9	£2,098,718	£840,300	£1,258,418
Remuneration paid to employees of the ACD who have material impact on the risk profile of the funds	4	£1,647,943	£585,525	£1,062,418

The staff members included in the analysis supports all funds managed by the ACD. It is not considered feasible or useful to attempt to apportion these figures to specific funds.

Risk Warning

An investment in an Open Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

