

MARKS AND SPENCER UNIT TRUST MANAGEMENT LIMITED

Value assessment for the M&S Unit Trust Funds

For the period 1 January 2022 to 31 December 2022 – published 30 April 2023

M&S
SAVINGS AND
INVESTMENTS

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Introduction by the Chair of Marks & Spencer Unit Trust Management Limited



The Financial Conduct Authority (FCA) requires all **Authorised Fund Managers** to undertake an annual assessment of value.

This document summarises the assessment undertaken by us, Marks and Spencer Unit Trust Management Limited, as the **Authorised Fund Manager** (the “**Manager**”) of the four funds which we offer.

This assessment is focused on whether the payments made from within the funds for various charges and costs are justified in the context of the value delivered to investors in each fund.

The FCA set out a minimum of seven criteria to be considered as part of this assessment and we outline our approach against these criteria below.





This is the fourth year in which we have undertaken a value assessment of our funds and we have taken a number of actions since our last assessment to enhance value for investors. We summarise these actions below and include further detail in each fund’s section later in this document.

Fund name	Actions taken since previous value assessment
UK Selection Portfolio	The fund’s investment approach has been reviewed by our independent investment adviser, resulting in recommendations to enhance the approach. We also reviewed the costs of providing the fund.
Worldwide Managed Fund	The fund’s investment approach has been reviewed by our independent investment adviser, resulting in recommendations to enhance the approach. We also reviewed the costs of providing the fund.
High Income Fund	The fund’s investment approach has been reviewed by our independent investment adviser, resulting in recommendations to enhance the approach. We also reviewed the costs of providing the fund.
UK 100 Companies Fund	We reviewed the costs of providing the fund.

Our independent investment adviser has now been in place since September 2021 and they support the Board’s oversight activities of the **Investment Manager**, including improving how we monitor customer outcomes across all four funds.

The **Board** continues to monitor the impact of Coronavirus (Covid 19) and the war in the Ukraine on the operations and performance of the **Funds**. Please see each **Fund**’s annual and interim reports for information about these and other impacts on each **Fund**.

We summarise the findings from our most recent value assessment, along with any actions being taken, in the table below. We provide further detail in each fund's section later in this document (including an explanation of the traffic light ratings):

Fund name	Rating	Summary of findings and any actions being taken
UK Selection Portfolio (UKS Fund)		<p>Overall, we conclude that the UKS Fund is delivering a good quality of service, that costs and charges are reasonable and that economies of scale are passed on where appropriate.</p> <p>The UKS Fund's performance has been strong over the past year, resulting in improved performance, but the fund remains behind its benchmark on a medium term basis.</p> <p>Changes to the UKS Fund's investment approach, applied in 2021, continue to be closely monitored and further enhancements will be implemented in 2023.</p>
Worldwide Managed Fund (WM Fund)		<p>Overall, we conclude that the WM Fund is delivering a good quality of service, that costs and charges are reasonable and that economies of scale are passed on where appropriate.</p> <p>We believe the WM Fund is delivering value in most areas, including achieving its objective, but note that performance relative to its comparator could be improved.</p> <p>Changes to enhance the WM Fund's investment approach, applied in 2021 and 2022, continue to be closely monitored and further enhancements will be implemented in 2023.</p>
High Income Fund (HI Fund)		<p>Overall, we conclude that the HI Fund is delivering a good quality of service, costs and charges are reasonable and economies of scale are passed on where appropriate.</p> <p>While the HI Fund has achieved its objective to deliver a high income, we do not believe that the fund's total return is delivering value.</p> <p>Changes to enhance the fund's investment approach, including a stronger focus on total returns, will be implemented in 2023. We are also reviewing the fund's charges.</p>
UK 100 Companies Fund (UK100 Fund)		<p>Overall, we conclude that the UK100 Fund is delivering a good quality of service, costs and charges are reasonable and economies of scale are passed on where appropriate. We believe that the UK100 Fund is delivering value, including achieving its objective to track the FTSE 100 Index.</p>

The assessment has been undertaken by the **Manager** as part of our regulatory responsibilities and those of our **Board**. Our **Board** includes two independent non-executive directors, one of whom (the **Board Chair**) has overall responsibility for this assessment. Our **Board** has been actively involved in the value assessment, including debating and agreeing the approach summarised below as well as dedicating significant time to scrutinising the findings and conclusions.

In particular, my fellow independent non-executive director, Peter Dew, and I have focused on what is important to investors, robustly challenging the **Investment Manager** and the executive team if we felt value was not being delivered.

Our **Board** sees this assessment as a continuation of a focus on value demonstrated through actions taken in recent years, including the most recent actions summarised above. We are also conscious of our responsibilities under the FCA's Consumer Duty requirements which will apply from July 2023, including enhancing our existing strong oversight arrangements to ensure that we act to deliver good outcomes for retail customers.

This assessment takes into account the **Manager**'s responsibilities both as a manufacturer and a distributor of the four funds, and I note that the vast majority of investors hold the funds directly with the **Manager**. We hope that this document provides investors with a useful way to assess the value delivered by our funds.

Best wishes






James Coyle

Our approach to assessing value

The following table summarises the FCA's prescribed criteria for consideration and the approach we have taken to assess each of these. We illustrate our approach by setting out some of the questions we asked ourselves as part of the assessment of each fund and then explain the traffic light ratings we use to summarise our findings.

Value assessment criteria	Questions we asked
1. Quality of service: the range and quality of services provided to investors	Are services provided by a strong and well governed organisation with highly experienced staff? Is service quality high and are customers satisfied? What features are available and how do investors benefit from them?
2. Performance: the fund's performance after deduction of all charges, considered over an appropriate timescale and having regard to the fund's investment objectives, policy and strategy	How has the fund performed and what controls are in place to monitor performance? What action is taken to address periods of underperformance?
3. Authorised Fund Manager (AFM) costs: for each charge, the cost of providing the service to which the charge relates	Are the charges paid by investors reasonable in light of the cost of providing the services they receive? Are costs robustly controlled?
4. Economies of scale: considering whether the AFM is able to achieve savings and benefits from economies of scale, whether they have been achieved, and whether such savings have been or will be passed on to investors	Have economies of scale been identified and, if so, have they been passed on to investors?
5. Comparable market rates: a comparison of the fund's charges against the market rates of similar funds	How do the fund's charges compare with similar funds on the market?
6. Comparable services: considering the fund's charges against those applied for comparable services provided to other clients of the AFM and those of its associates	What does the Manager , or its associates, charge for comparable funds or investment services to other customers?
7. Classes of Units: considering if it is appropriate for investors to hold Units in classes subject to higher charges than those applying to other classes of the same fund with substantially similar rights	Are some investors in the fund invested in a more expensive share class than others?

We summarise our assessment of value of each of these criteria using the traffic light ratings defined in the table below. We also summarise our overall assessment of value for each fund using the same ratings. While we consider each of the criteria in reaching our overall conclusion for each fund, we pay particular attention to the performance criterion. We explain our ratings in each fund's section below.

Rating	Definition
	Our assessment found that good value is being delivered with no material issues
	Our assessment found moderate value being delivered with some areas for attention and actions identified or being taken and monitoring in place
	Our assessment found poor value being delivered with actions identified or being taken and very close monitoring in place

Meet the board

Independent directors



James (Jim) Coyle - Non-Executive Board Chair

James (Jim) Coyle Non-Executive Board Chair Jim is a Non-Executive Director on the Marks and Spencer Financial Services plc Board and Chair of Marks and Spencer Unit Trust Management Limited.

He has over 40 years' experience and also serves as a Non-Executive Director and Audit Committee Chair of HSBC UK Bank plc, senior independent director and chairman of the Audit Committee of Pollen Street PLC, and deputy chairman of the Oversight Board and member of the Audit Governance Board of Deloitte LLP.

Jim holds a degree in Law and Accountancy from Glasgow University and qualified as a chartered accountant with KPMG. He is a Fellow of the Chartered Institute of Bankers in Scotland and on the Council of the Institute of Chartered Accountants of Scotland.



Peter Dew* - Non-Executive Board Chair

Peter is a Non-Executive Director of the Marks and Spencer Unit Trust Management Limited.

He has over 40 years' experience and also serves as a Non-Executive Director of HSBC Global Asset Management (UK) Limited. Peter has served as a Non-Executive Director on the board of a number of asset management and wealth management firms.

Prior to his work as a non-executive director, Peter worked in a number of senior executive roles in fund management and he started his career as a portfolio manager and managed an investment team.

Executive directors



Paul Spencer - Executive Director

Paul is the Chief Executive Officer of M&S Bank and an Executive Director of Marks & Spencer Financial Services plc Board and Marks and Spencer Unit Trust Management Limited.

He has 30 years' experience and prior to joining M&S Bank was Chief Control Officer for HSBC's Retail Banking and Wealth Management business. Paul also previously held the position of Chief Financial Officer for M&S Bank, formerly known as M&S Money.

Paul holds an honours degree in Accounting and Financial Management from Loughborough University and qualified as a Chartered Accountant with Ernst and Young.



Phillip (Phil) Scott - Executive Director

Phil is the Chief Financial Officer of M&S Bank and an Executive Director of Marks & Spencer Financial Services plc Board and Marks and Spencer Unit Trust Management Limited.

He has over 20 years' experience and joined M&S Bank in 2003 as part of the Finance Treasury team. Phil was appointed Financial Controller in 2007 and in 2009 he was appointed to his current position of Chief Financial Officer.

Phil studied mathematics at the University of Liverpool, he is a chartered accountant and trained with PricewaterhouseCoopers prior to joining M&S Bank.

*Please note that Peter Dew will be standing down from the Board on 7 April 2023 and Jenny Goldie-Scot will be joining the board as a non-executive director on the same date.

Quality of service

Investors in each of the four M&S funds benefit from the same service offering. We undertook an assessment of the quality of service for each fund individually and summarise the common findings below. We note any specific findings to individual funds in each fund's section below.

The funds are managed by Marks and Spencer Unit Trust Management Limited, part of HSBC UK. Marks & Spencer and HSBC UK are two strong businesses and trusted brands.

The **Manager** has strong governance in place, including a **Board** which is focused on managing risks which may result in poor customer outcomes.

Key measures of customer outcomes all indicate a positive customer experience, including low levels of complaints, high levels of customer satisfaction, a dedicated telephone service and good quality assurance results.

The **Manager** has experienced staff managing and administering the funds, all with appropriate training, supervision and oversight. The **Investment Manager**, HSBC Global Asset Management (UK) Limited, has a broad and deep team of appropriate investment managers in place as well as relevant administration experts providing professional oversight.

Investors in the funds benefit from valuable features and services, including a high-quality telephone service. There is no additional charge for these services above each fund's **Annual Management Charge (AMC)** for direct investors. Customers holding the funds through a third-party investment platform may experience other charges outside of the **Manager's** control.

Investors benefit from engagement activity by the **Investment Manager**. This refers to how the **Investment Manager** not only selects investments, but also challenges companies on how they address environmental, social and governance (ESG) issues. Please see below for further information.

This includes exercising voting rights to influence strategy at the companies in which the Fund invests.

Supporting environmental, social and governance best practices

The M&S funds do not have any specific environmental, social and governance (ESG) investing objectives, but do benefit from the **Investment Manager's** consideration of ESG factors. The **Investment Manager** believes that ESG factors can impact the sustainability of companies' financial returns. They therefore integrate ESG into the investment selection process by considering these factors in conjunction with others that impact on investment returns.

The **Investment Manager** engages with **investee companies** and **other issuers** to understand them better and to encourage companies to be proactive and transparent in the management of ESG issues and other relevant factors.








The **Investment Manager** challenges companies and issuers on their delivery of corporate strategy, financial and non-financial performance and risk, allocation of capital and management of ESG issues (including climate change).

For more information, please see the Engagement Policy for the M&S funds available here: bank.marksandspencer.com/pdf/EngagementPolicy.pdf

The Marks and Spencer UK Selection Portfolio (“UKS Fund”)

Overall rating

A

	Rating	Comments
Quality of service		The UKS Fund benefits from strong governance, management by experienced staff and key measures of customer outcomes all indicate a positive customer experience. Investors benefit from valuable features and services, including engagement activities by the Investment Manager .
Fund performance		The UKS Fund has delivered strong returns over 1 year and is ahead of its benchmark, with improvement evident in 3 and 5 returns (but both still remain behind benchmark). Changes to the UKS Fund 's investment approach, applied in 2021, continue to be closely monitored and further enhancements will be implemented in 2023.
Authorised Fund Manager costs		We have assessed the UKS Fund 's charges and broadly conclude that these are reasonable and justified in the context of the cost of providing relevant services to investors. We keep charges and costs under regular review.
Economies of scale		Investors benefit from economies of scale through the Manager 's use of professional fund administration experts who negotiate competitive pricing from relevant service providers, and economies of scale are passed on where appropriate.
Comparable market rates		The UKS Fund 's charges are comparable with other similar funds.
Comparable services		The Manager does not provide any comparable services.
Classes of Units		The UKS Fund has a single class of Units , available either as an Accumulation or Income Unit , both having the same charges.

Fund objective:	Assets under management:
The Fund aims to provide capital growth and income in the long term , (which is five years or more).	£95.4m (as at 31 Dec 2022)

Results of value assessment

1. Quality of service:

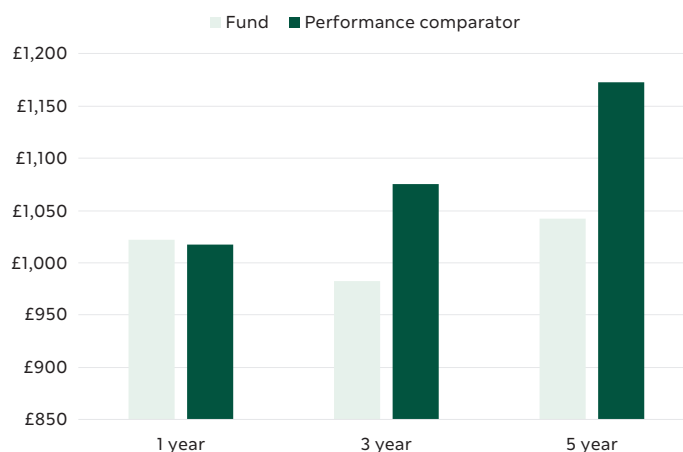
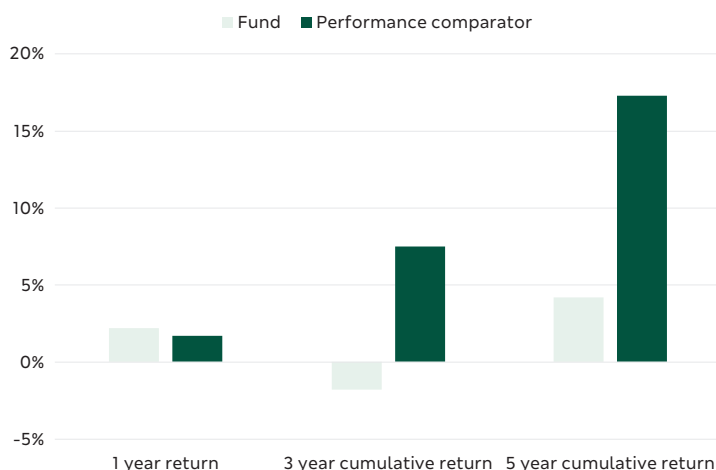
We find evidence of good quality of service for the **UKS Fund** (please see the general quality of service section above for more detail of our findings across all four M&S funds).

For the **UKS Fund** in particular, there is evidence of the strong governance working effectively, such as the **Board** decision to reduce the **Fund**'s **Annual Management Charge (AMC)** in June 2019 and in August 2021 to help address relative underperformance of the **UKS Fund** and value considerations. Strong oversight of the 2021 changes to the investment approach by the **Investment Manager** is also in effect, with indications that the new approach has resulted in improved performance.

2. Fund performance:

The **UKS Fund**'s performance¹ to 31 Dec 2022 was:

An investment of £1,000 in the **UKS Fund** for each period below (ending 31 Dec 2022) would be worth:²



	1 year	3 year cumulative return	5 year cumulative return
Fund	2.2%	-1.8%	4.2%
Performance comparator	1.7%	7.5%	17.3%

	1 year	3 year	5 year
Fund	£1,022	£982	£1,042
Performance comparator	£1,017	£1,075	£1,173

We focused our assessment on the **UKS Fund**'s medium-term five year performance, but also considered shorter-term three and one-year performance.

The **UKS Fund** has delivered strong returns over 1 year, ahead of its benchmark and 3 and 5 year returns have also improved, but both still remain significantly behind benchmark. Action has been taken to address this by changing the fund's investment approach and reducing the fund's charges in recent years, as well as appointing an independent investment adviser to enhance oversight activities.

We closely monitor performance and our **Board** has applied intense scrutiny to the significant underperformance in the medium term, including regular dialogue with the **Investment Manager** to monitor and address the situation. The fund's investment approach has been reviewed by our independent investment adviser, resulting in recommendations to enhance the approach which will be implemented in 2023.

The Fund's **Annual Management Charge (AMC)** was reduced from 1.00% to 0.90% in August 2021 and from 1.34% to 1.00% in June 2019, driven by a number of factors including helping to address medium-term underperformance.

The **UKS Fund**'s investment approach was changed significantly in 2021. The previous approach involved a team of investment analysts supporting the **Investment Manager** by researching potential companies that the **UKS Fund** may invest in, considering key information that may indicate how a company is likely to perform in the future.

The revised approach involves the **Investment Manager** making greater use of technology which improves the breadth and depth of this research and allows them to investigate a wider range of potential companies that the **UKS Fund** may invest in. This means that there is a larger number of factors that may indicate how a company will perform in the future. The **Investment Manager** uses this improved level of information to select assets and construct the **UKS Fund**'s portfolio to meet its investment objective.

The **Board** also continues to monitor the impact of the war in the Ukraine on the operations and performance of the **UKS Fund**. Operations have proved resilient and good levels of customer service have continued to be maintained. Performance will continue to be monitored as noted above.

Investors, and potential investors, should review the latest unit prices and most up-to-date performance information whenever considering investment decisions. The latest **Unit** prices are available on our website along with further **UKS Fund** information.

3. Authorised Fund Manager costs:

The **UKS Fund's** total **Ongoing Charge** is 0.99% a year³, made up of the fund's **AMC** of 0.90% a year and fund expenses of 0.09% a year.

The **AMC** covers services such as investment management, fund administration and our management of the **UKS Fund** (including providing the services outlined above).

The fund expenses include **safe custody** of the **UKS Fund's** investments, independent oversight, audit fees and regulatory fees. These fund expenses, incurred in addition to the **UKS Fund's AMC**, are in line with those of similar funds.

We have assessed the **UKS Fund's** charge, including considering how it relates to the actual costs incurred in providing the services being charged for. Our **Board** has broadly concluded that the charge is reasonable and justified in the context of the cost of providing relevant services to investors.

The **UKS Fund's** **transaction costs** were 0.08%³. We consider the **UKS Fund's** **transaction costs** to be reasonable for this type of fund. We also note the **Investment Manager's** commitment to manage these costs while moving to the enhanced investment approach noted above.

4. Economies of scale:

Investors benefit from economies of scale through the **Manager's** use of professional fund administration experts who negotiate competitive pricing from relevant service providers. We will be undertaking a review of the fees paid to providers of services such as **safe custody**, independent oversight and audit in 2023 and will seek to pass on any reductions to fund expenses, should these arise.

5. Comparable market rates:

The **UKS Fund's** charges are comparable with other similar funds⁴.

6. Comparable services:

The **Manager** does not provide any comparable services.

7. Classes of Units:

The **UKS Fund** has a single class of **Units**, available either as an **Accumulation** or **Income Unit**, both having the same charges.

¹ This information relates to the past, and past performance is no guarantee of future performance. **UKS Fund** performance figures are shown on a net basis (after all charges have been deducted) and are based on the **Accumulation Unit** class. Source: Morningstar. The investment benchmark for the **UKS Fund**, for comparison purposes only, is the FTSE All-Share Index

² These amounts assume an investment of £1,000 made 1, 3 and 5 years respectively prior to 31 December 2022. Please note that the **UKS Fund** amounts are net of all charges, while the performance comparator amounts do not allow for charges.

³ Based on the most recent full annual report and accounts for the **UKS Fund** for the year ended 30 November 2022

⁴ Based on fund charge data sourced from Morningstar

The Marks and Spencer Worldwide Managed Fund (“WM Fund”)

Overall rating

A

	Rating	Comments
Quality of service	G	The WM Fund benefits from strong governance, management by experienced staff and key measures of customer outcomes all indicate a positive customer experience. Investors benefit from valuable features and services, including engagement activities by the Investment Manager .
Fund performance	A	The WM Fund has achieved its objective to achieve capital growth and income in the long term (five years or more). The WM Fund 's performance was relatively good over 2022, falling less in value than its performance comparator in a challenging year. However, it lags behind its comparator over three and five years.
Authorised Fund Manager costs	G	We have assessed the WM Fund 's charges and broadly conclude that these are reasonable and justified in the context of the cost of providing relevant services to investors. We keep charges and costs under regular review.
Economies of scale	G	Investors benefit from economies of scale through the Manager 's use of professional fund administration experts who negotiate competitive pricing from relevant service providers, and economies of scale are passed on where appropriate.
Comparable market rates	G	The WM Fund 's charges are comparable with other similar funds.
Comparable services	G	The Manager does not provide any comparable services.
Classes of Units	G	The WM Fund has a single class of Units , available either as an Accumulation or Income Unit , both having the same charges.

Fund objective:	Assets under management:
The Fund aims to provide capital growth and income in the long term (five years or more).	£552.3m (as at 31 Dec 2022)

Results of value assessment

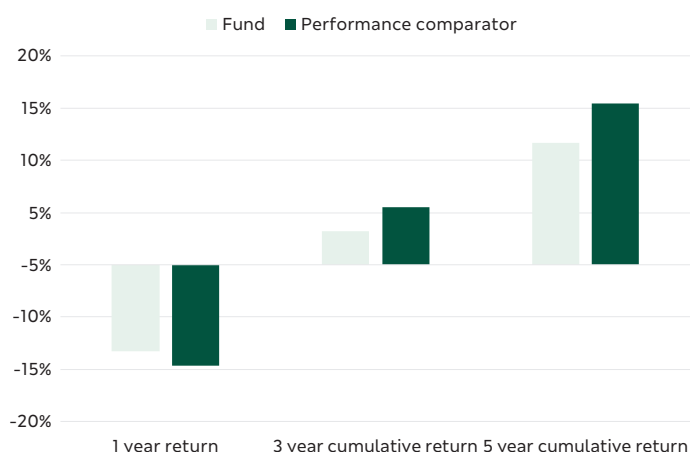
1. Quality of service:

We find evidence of good quality of service for the **WM Fund** (please see the general quality of service section above for more detail of our findings across all four M&S funds).

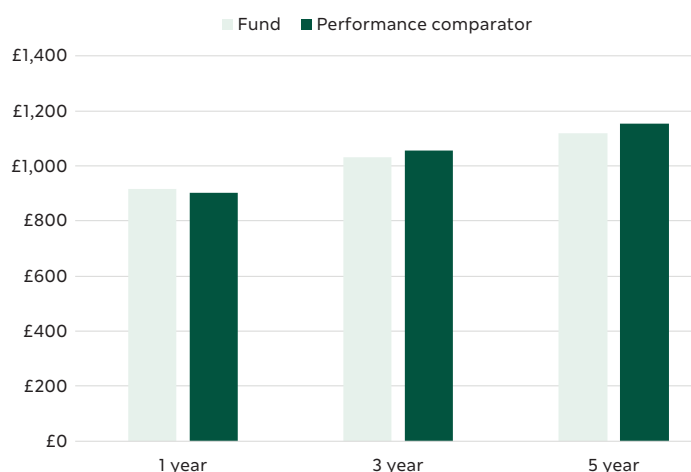
For the **WM Fund** in particular, there is evidence of the strong governance working effectively, such as the **Board** decision to reduce the Fund's **Annual Management Charge (AMC)** from 1.28% to 1.18% in July 2020 and from 1.18% to 1.08% in August 2021. These reductions were implemented to improve value to investors.

2. Fund performance:

The **WM Fund**'s performance⁵ to 31 Dec 2022 was:



An investment of £1,000 in the **WM Fund** for each period below (ending 31 Dec 2022) would be worth:⁶



	1 year	3 year cumulative return	5 year cumulative return
Fund	-8.3%	3.2%	11.7%
Performance comparator	-9.7%	5.5%	15.4%

	1 year	3 year	5 year
Fund	£917	£1,032	£1,117
Performance comparator	£903	£1,055	£1,154

We focused our assessment on the **WM Fund**'s medium-term five-year performance, but also considered shorter-term three and one-year performance.

The **WM Fund** is not managed with reference to a benchmark. To enable investors to assess the performance of the **WM Fund**, it is compared against the performance of the Investment Association Mixed Investment 40%-85% Shares sector.

The Investment Association Mixed Investment 40%-85% Shares sector has been selected to compare performance against because it consists of similar funds. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

The **WM Fund** achieved its objective to achieve capital growth and income in the long term (five years or more).

The **WM Fund**'s performance has been relatively good over 2022, falling less in value than its performance comparator in a challenging year. However, it lags behind its comparator over three and five years

We closely monitor performance and the **Board** is in regular dialogue with the **Investment Manager** to oversee actions being taken to address medium term underperformance.

The **Investment Manager** successfully implemented enhancements to the fund's investment strategy in the first quarter of 2022 to increase the flexibility of the fund's investment strategy to allow new opportunities to be captured and to increase diversification. More enhancements to the fund's investment approach will be implemented in 2023, aimed at further increasing diversification.

The **Board** also continues to monitor the impact of the war in the Ukraine on the operations and performance of the **WM Fund**. Operations have proved resilient and good levels of customer service have continued to be maintained. Performance will continue to be monitored as noted above.

Investors, and potential investors, should review the latest **Unit** prices and most up-to-date performance information whenever considering investment decisions. The latest **Unit** prices are available on our website along with further **WM Fund** information.

3. Authorised Fund Manager costs:

The **WM Fund's** current total **Ongoing Charge** is 1.20%⁷ per annum made up of the **WM Fund's AMC** of 1.20% per annum and fund expenses of 0.12% per annum.

We reduced the **WM Fund's** charge in 2020 and 2021 to improve value to investors.

The **AMC** covers services such as investment management, fund administration and our management of the **WM Fund** (including providing the services outlined above).

The fund expenses include **safe custody** of the **WM Fund's** investments, independent oversight, audit fees and regulatory fees. These fund expenses, incurred in addition to the **WM Fund's AMC**, are lower than average compared with similar funds.

We have assessed the **WM Fund's** charge, including considering how it relates to the actual costs incurred in providing the services being charged for. Our **Board** has broadly concluded that the charge is reasonable and justified in the context of the cost of providing relevant services to investors.

The **WM Fund's transaction costs** were 0.02%⁷. We consider the **WM Fund's transaction costs** to be reasonable for this type of fund. We also note the **Investment Manager's** commitment to manage these costs while moving to the enhanced investment strategy noted above.

4. Economies of scale:

Investors benefit from economies of scale through the **Manager's** use of professional fund administration experts who negotiate competitive pricing from relevant service providers. We will be undertaking a review of the fees paid to providers of services such as **safe custody**, independent oversight and audit in 2023 and will seek to pass on any reductions to fund expenses, should these arise.

5. Comparable market rates:

The **WM Fund's** charges are comparable with other similar funds⁸.

6. Comparable services:

The **Manager** does not provide any comparable services.

An institutional client has a holding in the **WM Fund**. The institutional client holds the same share class as individual retail investors but does benefit from a preferential **AMC** arrangement. They do, however, pay fund expenses at the same rate as individual retail investors. This arrangement has been assessed and the **Board** considers it to be appropriate with no disadvantage to other investors.

7. Classes of Units:

The **WM Fund** has a single class of **Units**, available either as an **Accumulation** or **Income Unit**, both having the same charges.

⁵ This information relates to the past, and past performance is no guarantee of future performance. **WM Fund** performance figures are shown on a net basis (after all charges have been deducted) and are based on the **Accumulation Unit** class. Source: Morningstar.

⁶ These amounts assume an investment of £1,000 made 1, 3 and 5 years respectively prior to 31 December 2022. Please note that the **WM Fund** amounts are net of all charges, while the performance comparator amounts do not allow for charges.

⁷ Based on the most recent full annual report and accounts for the **WM Fund** for the year ended 31 December 2022

⁸ Based on fund charge data sourced from Morningstar

The Marks and Spencer High Income Fund (“HI Fund”)

Overall rating

R

	Rating	Comments
Quality of service	G	The HI Fund benefits from strong governance, management by experienced staff and key measures of customer outcomes all indicate a positive customer experience. Investors benefit from valuable features and services, including engagement activities by the Investment Manager .
Fund performance	A	The HI Fund has achieved its objective to deliver a high yield, measured against its performance comparator. The HI Fund has delivered a negative total return over five, three and one year periods as well as underperforming its performance comparator over all of these periods.
Authorised Fund Manager costs	G	We have assessed the HI Fund 's charges and broadly conclude that these are reasonable and justified in the context of the cost of providing relevant services to investors. We keep charges and costs under regular review.
Economies of scale	G	Investors benefit from economies of scale through the Manager 's use of professional fund administration experts who negotiate competitive pricing from relevant service providers, and economies of scale are passed on where appropriate.
Comparable market rates	A	The HI Fund 's charges are broadly comparable with those of other similar funds.
Comparable services	G	The Manager does not provide any comparable services.
Classes of Units	G	The HI Fund has a single class of Units , available either as an Accumulation or Income Unit , both having the same charges.

Fund objective:	Assets under management:
The HI Fund aims to provide a high level of income, defined as a high level of income as equal to, or in excess of, the average yield of the funds in the HI Fund 's Investment Association sector, the Strategic Bond sector, over a three year period.	£183.8m (as at 31 Dec 2022)

Results of value assessment

1. Quality of service:

We find evidence of good quality of service for the **HI Fund** (please see the general quality of service section above for more detail of our findings across all four M&S funds).

2. Fund performance:

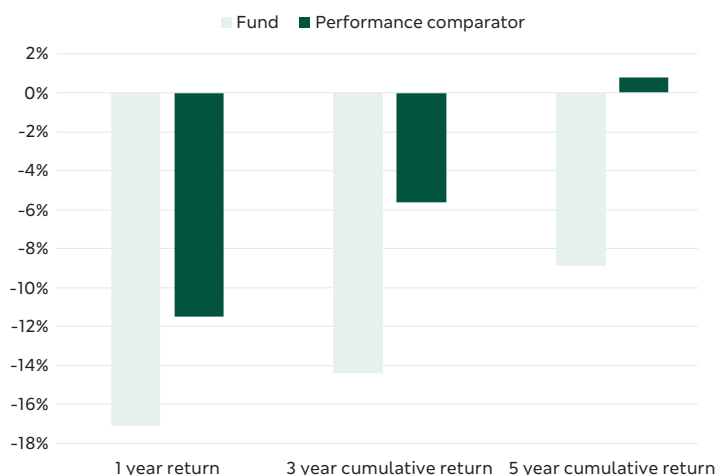
We assess the **HI Fund**'s performance both in terms of the level of income it has produced as well as considering the **total returns** received.

We measure the **HI Fund**'s income by its yield. We calculate yield by dividing the value of the income received from investments held by the **Fund** over a year by the value of the **HI Fund** at the end of the year.

The **HI Fund**'s average yield⁹ over the three years to 31 Dec 2022 was 4.0%. This is higher than the 3.3% average yield over the same period of the funds in the Investment Association Strategic Bond sector.

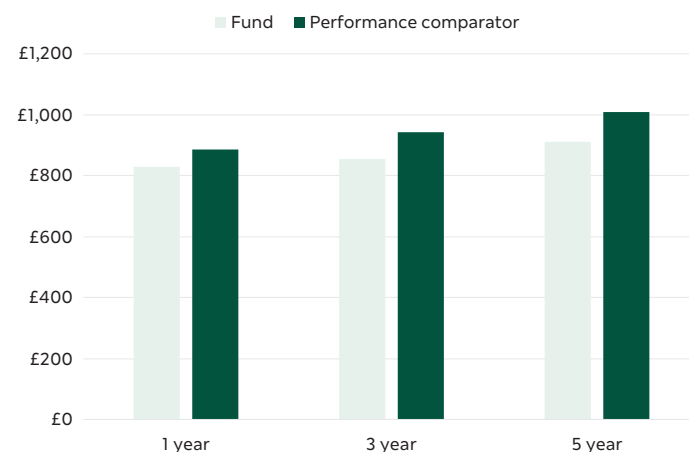
The Investment Association Strategic Bond sector has been selected as a performance comparator because it consists of similar funds. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers) to help investors compare funds with broadly similar characteristics.

The **HI Fund**'s performance¹⁰ to 31 Dec 2022 was:



	1 year	3 year cumulative return	5 year cumulative return
Fund	-17.1%	-14.4%	-8.9%
Performance comparator	-11.5%	-5.6%	0.8%

An investment of £1,000 in the **HI Fund** for each period below (ending 31 Dec 2022) would be worth¹¹:



	1 year	3 year	5 year
Fund	£829	£856	£911
Performance comparator	£885	£944	£1,008

We focused our assessment on the **HI Fund**'s medium-term five-year performance, but also considered shorter-term three and one-year performance.

The **HI Fund** has achieved its objective to deliver a high yield, measured against its performance comparator.

The **HI Fund** has delivered a negative **total return** over five, three and one year periods as well as underperforming its performance comparator over all of these periods.

Please note that while the Investment Association Strategic Bond sector has been selected as an income target and a measure for performance, the **HI Fund** does not have an objective to outperform the sector on a **total return** basis.

However, the **Board** have concluded that the scale of the current underperformance of the fund's **total return** is not consistent with a conclusion that the **HI Fund** is delivering value.

Changes to the **HI Fund**'s investment strategy were implemented in August 2021 to allow the fund to invest in a wider range of investments as well as empowering the **Investment Manager** to react more dynamically to changes in investment markets. These changes have improved some elements of the **HI Fund**'s performance, but were offset by other elements of the fund's performance which led to overall underperformance.

We closely monitor the **HI Fund**'s **total return** and we are in regular dialogue with the **Investment Manager** to understand the drivers of current underperformance. We also commissioned our independent investment adviser in 2022 to undertake a review of the fund's investment approach, which has resulted in recommendations to change the fund's objective.

The precise changes are under development and are likely to include the **HI Fund**'s current high income objective being complemented by an objective to focus on preserving capital over the medium term (5 years). Please note that a fund with an objective to preserve capital does not guarantee that investments will never fall in value and capital remains at risk.

We plan to implement changes to the **HI Fund**'s objective and approach in 2023 and will also be reviewing the fund's charges.

The **Board** also continues to monitor the impact of the war in the Ukraine on the operations and performance of the **HI Fund**. Operations have proved resilient and good levels of customer service have continued to be maintained. Performance will continue to be monitored as noted above.

Investors, and potential investors, should review the latest **Unit** prices and most up-to-date performance information whenever considering investment decisions. The latest **Unit** prices are available on our website along with further **HI Fund** information.

3. Authorised Fund Manager costs:

The **HI Fund**'s current total **Ongoing Charge** is 0.96%¹² a year, made up of the fund's **AMC** of 0.92% a year, other charges of 0.04% a year, and fund expenses of 0.00% a year.

The **AMC** covers services such as investment management, fund administration and our management of the Fund (including providing the services outlined above).

The fund expenses include safe custody of the Fund's investments, independent oversight, audit fees and regulatory fees. The **Manager** pays the fund expenses for this Fund (i.e. these are not passed on to investors).

The other charges relate to the **HI Fund** introducing investments in other funds in 2021, with these charges reflecting the fund expenses of these underlying funds.

We have assessed the **HI Fund**'s charge, including considering how it relates to the actual costs incurred in providing the services being charged for. Our Board has broadly concluded that the charge is reasonable and justified in the context of the cost of providing relevant services to investors. We are, however, undertaking a review to ensure appropriate costs are reflected.

In particular, the **Manager** paying the fund expenses is a valuable feature of this Fund. The **HI Fund**'s **transaction costs** were 0.00%¹³. We consider the **HI Fund**'s **transaction costs** to be reasonable for this type of fund.

4. Economies of scale:

Investors benefit from economies of scale through the **Manager**'s use of professional fund administration experts who negotiate competitive pricing from relevant service providers.

Where savings in the fees for services such as **safe custody** and independent oversight have been achieved in recent years, these would not be passed on directly to investors (as these fees form part of the fund expenses paid by the **Manager** for the **HI Fund**).

5. Comparable market rates:

The **HI Fund**'s charges are broadly comparable with other similar funds¹⁴. We keep our charges under regular review.

6. Comparable services:

The **Manager** does not provide any comparable services.

7. Classes of Units:

The **HI Fund** has a single class of **Units**, available either as an **Accumulation** or **Income Unit**, both having the same charges.

⁹ This information relates to the past, and past performance is no guarantee of future performance. **HI Fund** performance figures are shown on a net basis (after all charges have been deducted). **Total return** figures are based on the **Accumulation Unit** class. Sector average yields have been adjusted to exclude funds with a 0% yield. Source: Morningstar.

¹⁰ This information relates to the past, and past performance is no guarantee of future performance. **HI Fund** performance figures are shown on a net basis (after all charges have been deducted) and are based on the **Accumulation Unit** class.

¹¹ These amounts assume an investment of £1,000 made 1, 3 and 5 years respectively prior to 31 December 2022. Please note that the **HI Fund** amounts are net of all charges, while the performance comparator amounts do not allow for charges.

¹² As at 10 February 2023, based on the **HI Fund**'s Key Investor Information Document published on this date

¹³ Based on the full annual report and accounts for the **HI Fund** for the year ended 31 January 2022

¹⁴ Based on fund charge data sourced from Morningstar

The Marks and Spencer UK 100 Companies Fund (“UK100 Fund”)

Overall rating

G

	Rating	Comments
Quality of service	G	The UK100 Fund benefits from strong governance, management by experienced staff and key measures of customer outcomes all indicate a positive customer experience. Investors benefit from valuable features and services, including engagement activities by the Investment Manager .
Fund performance	G	The UK100 Fund has achieved its objective to track the performance of the FTSE 100 Index.
Authorised Fund Manager costs	G	We have assessed the UK 100 Fund’s charges and broadly conclude that these are reasonable and justified in the context of the cost of providing relevant services to investors. We keep charges and costs under regular review.
Economies of scale	G	Investors benefit from economies of scale through the Manager ’s use of professional fund administration experts who negotiate competitive pricing from relevant service providers, and economies of scale are passed on where appropriate.
Comparable market rates	G	The UK100 Fund ’s charges are comparable with other similar funds.
Comparable services	G	The Manager does not provide any comparable services.
Classes of Units	G	The UK100 Fund has a single class of Units , available either as an Accumulation or Income Unit , both having the same charges.

Fund objective:	Assets under management:
The UK100 Fund aims to provide capital growth in the long term (five years or more) by tracking the performance of the FTSE 100 Index, its benchmark.	£273.8m (as at 31 Dec 2022)

Results of value assessment

1. Quality of service:

We find evidence of good quality of service for the **UK100 Fund** (please see the general quality of service section above for more detail of our findings across all four M&S funds).

2. Fund performance:

We focused our assessment on the **UK100 Fund**’s medium-term five year performance, but also considered shorter-term three and one-year performance.

The performance below is presented based on comparing the returns from investing in the **UK100 Fund** against the performance of the benchmark, based on the daily prices of each of the **UK100 Fund** and the benchmark.

While it may appear that the UK 100 Fund has not tracked the performance of the benchmark, this is explained by two key points:

- timing differences between when the price of the **UK100 Fund** is published vs. when the price of the benchmark is published, and
- the impact of charges.

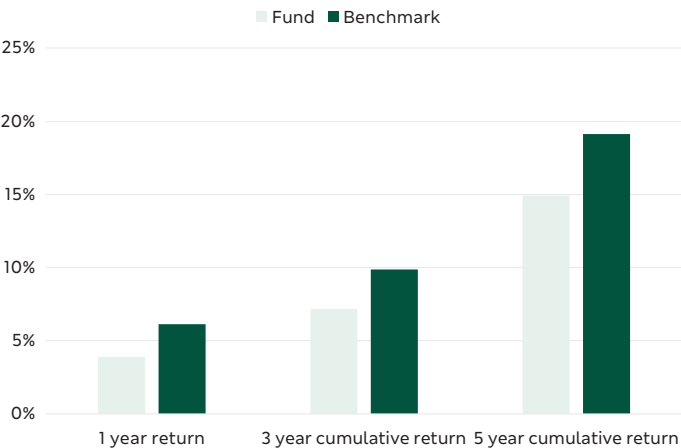
The **UK100 Fund** has a valuation point at 8am each day, whilst the benchmark uses prices at the end of the same day, around 5pm. This means that the published performance of the **UK100 Fund** will always lag a full day behind that of the published benchmark.

In practice, the **Investment Manager** manages the **UK100 Fund** to ensure it tracks the end of day price of the benchmark.

Our assessment has included extensive analysis of detailed performance information which confirms that the **UK100 Fund** does indeed track the performance of the benchmark closely, when it is measured using consistent prices at the end of each day.

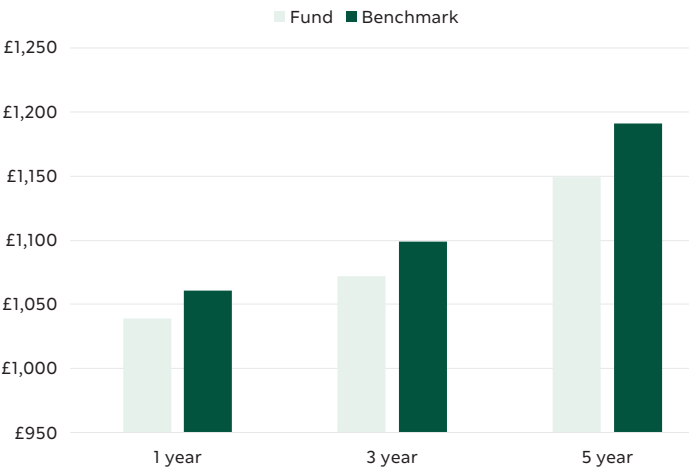
While the **UK100 Fund** does track the performance of the benchmark, it will always deliver performance below the FTSE 100 Index because there are charges involved in investing (as detailed below). The price of the **UK100 Fund** will always reflect these charges, while the benchmark value is a theoretical measure which does not allow for charges.

The **UK100 Fund's** performance¹⁵ to 31 Dec 2022 was:



	1 year	3 year cumulative return	5 year cumulative return
Fund	3.9%	7.2%	14.9%
Benchmark	6.1%	9.9%	19.1%

An investment of £1,000 in the **UK100 Fund** for each period below (ending 31 Dec 2022) would be worth¹⁶:



	1 year	3 year	5 year
Fund	£1,039	£1,072	£1,149
Benchmark	£1,061	£1,099	£1,191

We have analysed the performance of the **UK100 Fund** and concluded that the deviation from the benchmark is explained by the timing differences and the impact of charges. The difference appears particularly pronounced over one year because there was a positive movement of around 2% in the level of the FTSE 100 Index over the year-end. While this change in value is reflected in the benchmark returns in the table above, the UK100 Fund's price would only benefit from this change a day later due to the lag effect described above.

It is important to note that this deviation from the benchmark due to the impact of charges and timing is common to all index-tracking funds. The timing impact is more pronounced for the **UK100 Fund** due to its 8am valuation point. Other funds which also aim to track an index which closes at 5pm, but which themselves have a 12pm valuation point, will be affected by a lag of half a day.

The **Board** continues to monitor the impact of the war in the Ukraine on the operations and performance of the **UK100 Fund**. Operations have proved resilient and good levels of customer service have continued to be maintained. Performance is monitored regularly.

Investors, and potential investors, should review the latest **Unit** prices and most up-to-date performance information whenever considering investment decisions. The latest **Unit** prices are available on our website along with further **UK100 Fund** information.

Please also note that while the **UK100 Fund's** objective is to track the performance of the FTSE 100 Index, the **Manager** has a banned weapons policy. This means that the **UK100 Fund** will not invest directly in securities of companies involved in controversial weapons. Please see the **UK100 Fund's** prospectus for further information. This could have an impact on the **UK100 Fund's** tracking of the FTSE 100 Index, but our assessment has not identified any concerns with how the **UK100 Fund** is tracking this benchmark.

3. Authorised Fund Manager costs:

The **UK100 Fund's** current total **Ongoing Charge** is 0.51%¹⁷ a year, made up of the **fund's AMC**, other charges of 0.01% a year, and fund expenses of 0.00% a year.

The **AMC** covers services such as investment management, fund administration and our management of the **UK100 Fund** (including providing the services outlined above).

The fund expenses include **safe custody** of the **UK100 Fund's** investments, independent oversight, audit fees and regulatory fees. The **Manager** pays the fund expenses for this **UK100 Fund** (i.e. these are not passed on to investors).

The other charges relate to the **UK100 Fund** holding some investments in other funds.

We have assessed the **UK100 Fund's** charge, including considering how it relates to the actual costs incurred in providing the services being charged for. Our **Board** has broadly concluded that the charge is reasonable and justified in the context of the cost of providing relevant services to investors. We are, however, undertaking a review to ensure appropriate costs are reflected.

In particular, the **Manager** paying the fund expenses is a valuable feature of this fund. The **UK100 Fund's transaction costs** were 0.04%¹⁸. We consider the **UK100 Fund's transaction costs** to be reasonable for this type of fund.

4. Economies of scale:

Investors benefit from economies of scale through the **Manager's** use of professional fund administration experts who negotiate competitive pricing from relevant service providers.

Where savings in the fees for services such as **safe custody** and independent oversight have been achieved in recent years, these would not be passed on directly to investors (as these fees form part of the fund expenses paid by the **Manager** for the **UK100 Fund**).

5. Comparable market rates:

The **UK100 Fund's** charges are comparable with other similar funds¹⁹. We keep these charges under regular review.

6. Comparable services:

The **Manager** does not provide any comparable services.

An institutional client has a holding in the **UK100 Fund**. The institutional client holds the same share class as individual retail investors but does benefit from a preferential **AMC** arrangement. This arrangement has been assessed and the **Board** considers it to be appropriate with no disadvantage to other investors.

7. Classes of Units:

The **UK100 Fund** has a single class of **Units**, available either as an **Accumulation** or **Income Unit**, both having the same charges.

Definitions

Accumulation Unit: means a type of **Unit** where the income earned by the **Fund** is retained in the **Fund**.

Annual Management Charge (AMC): means the ongoing fee paid by an investor to the **Authorised Fund Manager** for managing the **Fund**, charged as a percentage of the value of the investor's holding in the **Fund**.

Authorised Fund Manager (AFM): means a firm authorised by the FCA to manage investment funds such as unit trusts.

¹⁵This information relates to the past, and past performance is no guarantee of future performance. **UK100 Fund** performance figures are shown on a net basis (after all charges have been deducted) and are based on the **Accumulation Unit** class.

¹⁶These amounts assume an investment of £1,000 made 1, 3 and 5 years respectively prior to 31 December 2022. Please note that the **UK100 Fund** amounts are net of all charges, while the performance comparator amounts do not allow for charges.

¹⁷As at 10 February 2023, based on the **UK100 Fund's** Key Investor Information Document published on this date

¹⁸Based on the most recent full annual report and accounts for the **UK100 Fund** for the year ended 28 Feb 2022

¹⁹Based on fund charge data sourced from Morningstar

Board: means the Board of Directors of Marks and Spencer Unit Trust Management Limited.

Cumulative return: means the money made or lost on an investment in the **Fund** assuming that it was held over a whole specified time period (e.g. three or five years), expressed as a percentage of the initial investment.

Fund: refers generically to any one of the four funds available from the **Manager**.

Growth: means the increase in the value of investments.

HI Fund: means the Marks & Spencer High Income Fund.

Income: means money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or retained in the fund and reinvested

Income Unit: means a type of **Unit** where the net income earned by the **Fund** is paid out to the investor (please note that 'net income' refers to the fact that the fund's **AMC** is deducted from the income of the **Fund**). Please note that the **HI Fund** pays income gross and the **AMC** is deducted from the capital of the **HI Fund** (see the Supplementary Information Document for further information on gross income and each fund's fees).

Investee companies: means companies in which a fund holds equity investments – i.e. a share in the company.

Investment Manager: means HSBC Global Asset Management (UK) Limited who have been appointed by the **Manager** to make investment decisions for the **Fund**.

Long Term: means more than five years.

Manager: means the **Authorised Fund Manager**, Marks and Spencer Unit Trust Management Limited, who has overall responsibility for managing the **Fund**.

Ongoing Charge: means a measure of what it costs to invest in a fund. It includes the fee paid to the **Authorised Fund Manager** (the Annual Management Charge) and other operating costs.

Other issuers: means fund investments which take the form of bonds issued by a company or country – i.e. a loan to that company or country.

Safe custody: means the safeguarding and administration of the assets in which the **Fund** invests.

Total return: means the return to an investor holding the **Fund** and reinvesting income received (i.e. the return from investing in the **Accumulation Unit**).

Transaction costs: means costs incurred by the **Fund** when buying and selling underlying investments. These costs include direct costs, such as commissions paid to brokers, fees and taxes; as well as indirect costs such as the 'dealing spread' representing the difference between the buying and selling prices of the **Fund's** underlying investments.

Trustee: means the organisation responsible for safeguarding of the assets of the **Fund**, including overseeing the **Authorised Fund Manager**. See the **Fund's** prospectus for further information.

UKS Fund: means The Marks and Spencer UK Selection Portfolio Fund.

UK100 Fund: means the Marks & Spencer UK 100 Companies Fund.

Unit or Units: means a **Unit** in the **Fund**. An equal portion representing part ownership of a unit trust fund.

WM Fund: means the Marks & Spencer Worldwide Managed Fund.