

# Changes to the Marks & Spencer UK Selection Portfolio (“the Fund”)

Effective from 7 August 2019

We wanted to let you know that we are making certain changes to the way in which the investment objective, policy and strategy are described in the Fund’s literature, including the Fund’s prospectus (the “Prospectus”) and key investor information document (“KIID”). The changes will take effect from 7 August 2019.

The investment objective, policy and strategy broadly describe what a fund aims to achieve and the way it intends to do this. These descriptions are important because they help investors to consider their investment options and to decide whether a fund is suited to their individual needs.

The Financial Conduct Authority, the regulator of investment funds in the UK, has recently introduced new guidance and is implementing new rules concerning the clarity of a fund’s investment objective, policy and strategy wording. This means using customer-friendly language and providing further detail about how we are managing the Fund, particularly how the Fund makes use of benchmarks. This is not a change to the way the Fund is managed, its overall investment strategy or its risk profile.

We have reviewed the investment objective, policy and strategy wording in the Prospectus and are making changes to reflect the new guidance and rules. A comparison of the current and revised investment objective is shown in full in the Appendix and the reasons for these changes are set out below:

## **CHANGES TO INVESTMENT OBJECTIVE AND POLICY**

### **Investment objective:**

The current investment objective of the Fund is “to achieve long term capital growth, as well as an above average yield. For this purpose, we define an average yield to be the three-year rolling yield of the FTSE All-Share Index\*”.

We are amending the objective to replace “above average yield” with “income” and provide clarity on what we mean by “long-term” and to better describe how we will aim to achieve the objective.

### **Investment policy:**

We are amending the investment policy of the Fund to define some of the terms which we use. We have also included further details on the use of derivatives and why these are used within the Fund.

### **Investment strategy:**

We are amending the investment strategy of the Fund to define some of the terms which we use.

### **Definitions:**

In addition and to complement the changes above, we will be updating the Definitions section at the start of the Prospectus to include new terminology and further explanation of existing defined terms. A list of terms used in the Investment Objectives, Investment Policies and Investment Strategies tables are provided in the Definitions section following the Appendix to this letter. A full list of the definitions will also be available on our website from 7 August 2019.

### **Benchmarks and presentation of past Fund performance:**

We generally show the past performance of the Fund in the report and accounts. The new rules require that alongside this we consistently show the past performance against any benchmarks indicated in the Prospectus for the Fund.

We will therefore add the past performance of the FTSE All-Share Index\*, to the report and accounts that we publish after 7 August 2019.

### **Key investor information document (KIID):**

We are amending the Fund’s KIID, where necessary, to reflect the changes detailed above.

## **WHY ARE WE MAKING THESE CHANGES?**

We are making the changes to comply with the most recent regulatory guidelines and to further clarify how the Fund is managed, while providing more detail about the types of assets in which the Fund may invest. We aren’t changing how we manage the Fund and there is no change to the risk profile of the Fund.

## HOW MUCH WILL IT COST TO MAKE THESE CHANGES?

There will be no costs to you or the Fund as a result of the changes. The costs to make the required changes to the Fund documentation will be met by Marks and Spencer Unit Trust Management Limited as the Authorised Fund Manager.

## WHEN WILL THE NEW DOCUMENTATION BECOME EFFECTIVE?

The changes will take effect from 7 August 2019. The revised Prospectus and KIID will also be available from this date.

## DO I NEED TO TAKE ANY ACTION?

No, there is no action required. This update is for information only.

## WHAT IS THE VIEW OF THE TRUSTEE?

In accordance with normal market practice, State Street Trustees Limited, the Trustee of the Fund, while expressing no opinion on the merits or otherwise of the changes set out within this letter, has informed us that it has no objection to the changes.

## APPENDIX

Current wording	Revised wording
<p><b>Investment Objective</b></p> <p>The Fund's objective is to achieve long term capital growth, as well as an above average yield. For this purpose, we define an average yield to be the three-year rolling yield of the FTSE All-Share Index*.</p>	<p><b>Investment Objective</b></p> <p>The Fund aims to provide capital <b>growth</b> and <b>income</b> in the long term (five years or more).</p>
<p><b>Investment Policy</b></p> <p>The Fund will invest a minimum of 80% of its value in the shares of UK companies or bonds that can be converted to shares, of UK companies, called convertible stocks.</p> <p>UK companies are deemed to be those that are domiciled or incorporated in the UK, or which conduct a significant proportion of their business in the UK (i.e. at least 80% of revenue is earned from the UK).</p> <p>The Fund may also invest up to 10% of its value in the shares of companies listed on a UK stock exchange which are not UK companies. In addition, the Fund may invest up to 10% in the shares of companies that are neither shares of UK companies nor listed on a UK stock exchange. This means that up to 20% of the value of the Fund may be invested in the shares of companies that are not UK companies.</p> <p>The Fund is structured to deliver the Objective through its broad exposure to both large and smaller companies and convertible stocks and will hold approximately 35-45 stocks.</p> <p>The Fund may invest up to 10% of its value in collective investment schemes, which the Fund may use to indirectly invest in the shares of UK and other companies. The Fund may also invest in collective investment schemes, money market investments, deposits and cash to manage day-to-day cash flow requirements.</p> <p>Generally the Fund invests in transferable securities listed or traded on an eligible securities market with power to invest in recently issued transferable securities which are to be so listed or traded.</p> <p>However, transferable securities that are not approved securities may be held within the Fund provided the total of such securities does not exceed 10% in value of the property of the Fund. This 10% limit is inclusive of recently issued securities.</p> <p>The Fund may invest in derivatives for efficient portfolio management which means investment techniques that aim to reduce risks, reduce costs, or generate additional capital or income with a level of risk that is consistent with the risk profile of the Fund.</p> <p>The Manager's investment policy may mean that at times it is appropriate not to fully invest but to hold cash or near cash. This will only occur when the Manager reasonably regards it as necessary to enable Units to be redeemed or for the efficient management of the Fund in accordance with its objective or purpose that may reasonably be regarded as ancillary to the objective of the Fund.</p>	<p><b>Investment Policy</b></p> <p>The Fund will invest a minimum of 80% of its value in the <b>shares (equities)</b> of UK companies, including <b>preference shares</b> and <b>convertible preference shares</b>.</p> <p>UK companies are deemed to be those that are domiciled or incorporated in the UK, or earn at least 80% of their revenue in the UK.</p> <p>The Fund may also invest up to 20% of its value in the <b>shares</b> of companies listed on a UK stock exchange that are not UK companies (as defined above). The Fund may invest no more than 10% of its value in the <b>shares</b> of companies that are neither UK companies nor listed on a UK stock exchange.</p> <p>The Fund is structured to deliver the objective through its exposure to both large and smaller companies and will hold approximately 35-45 <b>shares</b>.</p> <p>The Fund may invest up to 10% of its value in <b>collective investment schemes</b>, which the Fund may use to indirectly invest in the <b>shares</b> of UK and other companies. The Fund may also invest in <b>collective investment schemes, money market instruments</b>, deposits and cash to manage day-to-day cash flow requirements. This may include Funds managed or operated by the Investment Manager.</p> <p>The Fund may invest in <b>derivatives</b> for <b>efficient portfolio management</b> which means investment techniques that aim to reduce risks, reduce costs, or generate additional capital or <b>income</b> with a level of risk that is consistent with the risk profile of the Fund.</p> <p>The Manager's investment policy may mean that at times it is appropriate not to fully invest but to also hold cash or near cash. This will only occur when the Manager reasonably regards it as necessary to enable Units to be redeemed or for the efficient management of the Fund in accordance with its objective or purpose that may reasonably be regarded as ancillary to the objective of the Fund.</p> <p>The Manager has determined that the Fund will not invest directly in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of controversial weapons, including but not limited to cluster munitions and/or anti-personnel mines. Please refer to the investment restrictions section of this Prospectus on page 8.</p>

### Investment Strategy

The Manager has appointed HSBC Global Asset Management (UK) Limited (the "Investment Manager") to provide investment management services to the Manager in respect of the Fund. The Fund is structured to deliver the Objective through the investment process which aims to identify large and smaller market value companies that offer an attractive valuation but which also demonstrate an appropriate level of liquidity. Through fundamental research the Investment Manager aims to determine whether companies have the potential to sustain profitability and dividend income.

Using this analysis the Investment Manager constructs the Fund's portfolio with the aim of providing growth and above average *yield*. The Fund will typically invest in the shares of 35 to 45 companies but the Investment Manager may vary this depending on market conditions. Further details of the underlying stocks in which the Fund is invested in can be obtained from the Manager, and will be disclosed in the annual and half yearly accounts.

### Use of benchmarks

The investment manager uses their expertise to pick investments and does not aim to track the performance of a benchmark. However, the stock and investment sector weights of the Fund are limited so that they do not differ significantly from the respective weights of the FTSE All-Share Index\* therefore the Manager considers this as the comparator benchmark. This is to help manage the investment risk within the Fund.

Whilst the investment performance of the Fund may differ from that of the FTSE All-Share Index\*, our approach means that the Fund's investment performance is likely to be closer to that of the index than might be the case if these limits were not in place. The Index is also considered as part of our investment risk monitoring process, to check that the overall level of risk taken by the Investment Manager is not inconsistent with the Index.

The Manager has determined that the Fund will not invest directly in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of controversial weapons, including but not limited to cluster munitions and/or anti-personnel mines. Please refer to the investment restrictions section of this Prospectus on page 8.

### Investment Strategy

The Manager has appointed HSBC Global Asset Management (UK) Limited (the "Investment Manager") to provide investment management services to the Manager in respect of the Fund. The Investment Manager's investment process, aims to identify companies that deliver longer term **value creation**. The Fund will typically invest in the **shares** of 35 to 45 companies but the Investment Manager may vary this depending on market conditions and the investment opportunities that are available.

The investment process is longer term in nature and as a result **stewardship** activity is integrated into investment decisions. Further details of the underlying **shares** in which the Fund is invested can be obtained from the Manager, and will be disclosed in the annual and half yearly accounts.

### Use of benchmarks

The Fund is managed with reference to the FTSE All-Share Index. The level of risk the Fund may take is considered relative to the FTSE All-Share Index as part of the portfolio construction process. This means the Fund returns are more likely to be closer to the returns of the FTSE All-Share Index than if there were no limits on the level of risk the Fund may take. Separately, the Index is also considered as part of our investment risk monitoring process, to check that the overall level of risk taken by the Investment Manager is not inconsistent with the UK equities market.

The performance of the Fund is therefore shown against the performance of the FTSE All-Share Index. The performance of the Fund may also be shown against the performance of the Investment Association UK All Companies sector for comparison purposes only.

The FTSE All-Share Index has been selected as a benchmark for performance and risk measurement because it is representative of the companies in which the Fund may invest. The Investment Association UK All Companies sector has been selected as a benchmark for performance comparison because it consists of funds similar to the Fund. 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.

### Use of derivatives

The Fund may invest in **exchange traded** and **over-the-counter derivatives** in accordance with the investment restrictions on page 9. The Fund does not currently use **currency forward contracts** or other **derivative** instruments to **hedge** against movements in the rate of exchange between sterling and other currencies in which the Fund's assets may be denominated.

### Additional information

\*The index utilised by the Fund is provided by a benchmark administrator who appears on the register of administrators maintained by the European Securities and Markets Authority. However, the benchmark administrator is making use of the transitional arrangements of Regulation (EU) 2016/1011 (the "Benchmark Regulation") and accordingly the index does not appear on the register of benchmarks as at the date of this Prospectus.

## DEFINITIONS

**“Bond”** or **“Bonds”** means a loan, usually to a company or government that pays interest.

**“Collective Investment Scheme”** means a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property.

**“Currency forward contracts”** means a contract in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date.

**“Derivatives”** or **“Derivative”** means investments whose value is linked to another investment, or to the performance of a stock exchange or to some other variable factor, such as interest rates.

**“Efficient Portfolio Management (EPM)”** means managing the Fund in a way designed to reduce risk or cost and/or generate income or growth.

**“Equity”** or **“Equities”** means shares issued by a company.

**“Exchange Traded”** means a type of investment that is traded on a stock exchange.

**“Growth”** means the increase in the value of investments.

**“Hedge”** or **“Hedging”** means using derivative type investments as a way to reduce risk.

**“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 unitholders or paid back into the Fund and reinvested.

**“Money Market Instruments”** means investments usually issued by banks or governments that are a loan to the issuer by the buyer, held over a short period of time. The buyer receives interest and the return of the original amount at the end of a certain period.

**“Over-the-counter”** means a contract that is traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary.

**“Preference Shares”** means shares of a company which entitle the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends. Preference shares may be convertible to the ordinary shares of a company.

**“Share”** or **“Shares”** means a portion in a company representing part ownership of a company.

**“Stewardship”** means that the Investment Manager, in its role as fund manager, will evaluate and actively engage with the companies in which its funds invest. It does this as it aims to invest responsibly and also with the aim of adding broader value to its funds' investors.

**“Value creation”** means, in financial terms, actions undertaken by a company that generate revenue for the company greater than its expenses or, more broadly, actions that increase sales of goods or services by a company and so increase the value of its brand.