

Changes to the Marks & Spencer High Income Fund (“the Fund”)

Effective from 7 August 2019

We have made some 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”). These changes came into effect on 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 consider their investment options and 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 more customer-friendly language and providing further detail about how we are managing the Fund, particularly how the Fund makes use of benchmarks. Please note we are not making changes to the way in which 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 associated with fund documentation. A comparison of the current and revised investment objective is shown in full in the Appendix to this letter 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 provide a high level of income”.

We are amending the objective to provide clarity on what we mean by “high level of income” and to better describe how we review this.

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 and clarify how the Fund makes use of any benchmarks.

Definitions:

In addition to, 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 enclosed can be found at the end of the document. A full list of the definitions is available on our website.

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 each Fund.

We will therefore add the past performance of any benchmarks 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 came into effect on 7 August 2019.

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.

Current wording	Revised wording
<p>Investment Objective The Fund's objective is to provide a high level of income.</p>	<p>Investment Objective The Fund's objective is to provide a high level of income. We define 'high level of income as equal to, or in excess of the average yield of funds in its Investment Association sector, the Strategic Bond sector, over a three year period.</p>
<p>Investment Policy The Manager may invest in fixed and variable rate securities and equities from anywhere in the world. At any time the portfolio may contain a combination of any or all of the aforementioned securities.</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 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 objectives or purpose that may reasonably be regarded as ancillary to the objectives of the Fund.</p> <p>The Fund may use derivative instruments (options, futures and contracts for differences) and forward transactions in a currency for the purposes of efficient portfolio management. These instruments can therefore be used to reduce risk, reduce costs, or generate additional capital or income with no, or low levels of risk.</p> <p>Payments in respect of the Manager's periodic charge and other permitted charges or expenses are treated as capital expenses. This may constrain capital growth.</p> <p>There are risks associated with investments in the Fund. These are summarised in the section titled 'Risks' on page 27.</p>	<p>Investment Policy The Manager may invest in fixed and variable rate bonds and bonds that can be converted to shares (equities) of companies, called convertible bonds and money market funds. The Fund may invest up to 5% in contingent convertible bonds (CoCos) and an additional 5% in convertible bonds. At any time, the portfolio may contain a combination of any or all of the aforementioned bonds and money market funds from anywhere in the world.</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 objectives or purpose that may reasonably be regarded as ancillary to the objectives of the Funds. 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 9.</p>
<p>Investment Strategy The Manager has appointed HSBC Global Asset Management (UK) Limited as investment manager (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 investment in a mix of corporate and government Bonds that are issued globally, which may be both higher risk bonds rated by Standard and Poor's below BBB- (called 'sub investment grade/'high yield') and lower risk bonds (called 'Investment grade') of any duration.</p> <p>The Investment Manager has sub-delegated the management of a portion of the Fund to HSBC Global Asset Management (USA) Inc as Investment Adviser. The Investment Adviser aims to provide Income by investing in emerging markets and US high yield bonds, quasi-sovereign bonds and in bonds issued by companies which have their registered office in emerging markets and the USA, primarily denominated in US Dollar. As at the date of the prospectus HSBC Global Asset Management (USA) Inc manages approximately 40% of the Fund.</p> <p>The allocations to these asset classes will vary through time and are reviewed and adjusted to meet the Fund objective at least annually.</p> <p>When adjusting the asset allocation the Investment Manager intends to maintain the existing risk profile of the Fund and will monitor this on an ongoing basis. Further details in relation to the asset allocation are published in the annual and half yearly reports.</p>	<p>Investment Strategy The Manager has appointed HSBC Global Asset Management (UK) Limited as investment manager (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 bonds that have an attractive value relative to the wider range of bonds available. Investment will be made in a mix of corporate, government bonds that are issued globally, emerging markets and US high yield bonds and quasi-sovereign bonds which may be both higher risk Bonds rated by Standard and Poor's below BBB- (called 'sub investment grade/'high yield') and lower risk bonds (called 'investment grade') of any duration.</p> <p>The allocations to these asset classes will vary through time and are reviewed and adjusted to meet the Fund objective at least annually. Asset allocation describes the way the Investment Manager divides the Fund's investment across the mix of different asset classes such as the different type of bonds in which the fund invests; these are outlined above.</p> <p>Further details in relation to the asset allocation are published in the annual and half yearly reports.</p> <p>The Investment Manager has sub-delegated the management of a portion of the Fund to HSBC Global Asset Management (USA) Inc as Investment Adviser. The Investment Adviser aims to provide income by investing in emerging markets and US high yield bonds, quasi-sovereign bonds and in bonds issued by companies which have their registered office in emerging markets and the USA, primarily denominated in US dollars.</p>

Income is accounted for and paid on an effective yield basis rather than a coupon basis.

The Manager has determined that the Fund will not invest in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines. Please refer to the investment restrictions section of this Prospectus on page 9.

Use of benchmarks

The Fund is **actively managed** and the Investment Manager uses their expertise to pick investments. The Fund is managed with reference to the Fund's Investment Association sector, the Strategic Bond sector. The Investment Manager aims to provide a level of **income** as equal to, or in excess of, the average **yield** of funds in the Fund's Investment Association sector, the Strategic Bond sector, over a three year period.

The Investment Association Strategic Bond sector has been selected as an income target and a measure for performance of the Fund 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. Further information on the Investment Association sectors can be found at www.theia.org.

To obtain the latest **income yield** of the Fund or that of the Investment Association Strategic Bond sector, please call us on 0808 005 5555.

Use of derivatives

The Fund may invest in **exchange traded** and **over-the-counter derivatives** in accordance with the investment restrictions on page 11. In particular, **bond index futures** may be used with the aim of managing the overall bond duration.

Currency forward contracts will be used to gain exposure to currencies or with the aim of **hedging** against movements in the rate of exchange between sterling and the currency in which the **bonds** and other assets may be denominated.

DEFINITIONS

“Actively Managed” means where the investment manager uses their expertise to pick investments to achieve the fund’s objectives.

“Asset Allocation” describes the way the Investment Manager divides the Fund’s investment across the mix of different asset classes such as the different type of bonds in which the fund invests.

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

“Bond Index Futures” means a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date.

“Contingent Convertible Bonds or Securities” means bonds that are issued by a company that may be converted to shares of a company if a pre-specified event occurs.

“Convertible Bonds” means bonds that are issued by a company that may be converted to shares of the company.

“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.

“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.

“Emerging Markets” means countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.

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

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

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

“High Yield Bond” or **“High Yield Bonds”** means a bond paying a higher level of interest but which has a lower credit rating than investment grade.

“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.

“Investment Grade” means a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it.

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

“Quasi Sovereign Bonds” means bonds majority owned by the Government.

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

“Sub-investment Grade” means a credit rating that indicates the issuer of a bond has a relatively higher risk of being unable to make interest payments and repay the money to it.

“Yield” means the income from an investment, usually stated as a percentage of the value of the investment.