

MARKS & SPENCER
HIGH INCOME FUND

—

Manager's annual report

—

For the period 1 February 2018 to 31 January 2019

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Marks & Spencer High Income Fund

Manager, Registrar, dealing, administration and marketing

Marks and Spencer Unit Trust
Management Limited.

Authorised and regulated by the Financial
Conduct Authority.

Investor helpline: 0808 005 5555 or
+44 1244 688632 if calling from abroad.
Lines are open from 8am to 6pm Monday to
Friday (closed weekends and bank holidays).
Please be aware that opening hours may be
restricted over the Christmas period. Please
contact us for details. Calls may be recorded.

Head office and registered office

Kings Meadow
Chester CH99 9FB
Registered in England
No. 2253009

Directors of the Manager

James Coyle (Chairman and non-Executive
Director)
Paul Spencer (Interim Chief Executive Officer
and Director)
David Stewart (Non-Executive Director)
Phillip Scott (Director)
Douglas van den Aardweg (Non-Executive
Director)
Matt Handley (Director)
Peter Dew (Non-Executive Director)
Simon Ellis (Director)

Investment manager

HSBC Global Asset Management (UK) Limited
8 Canada Square
London E14 5HQ

The above listed Investment Manager is
authorised and regulated by the Financial
Conduct Authority.

The Investment Manager has sub-delegated
the management of a portion of the Fund to
HSBC Global Asset Management (USA) Inc,
registered with the Securities and Exchange
Commission in the USA.

Trustee

State Street Trustees Limited
Quartermile 3
10 Nightingale Way
Edinburgh EH3 9EG

Authorised and regulated by the Financial
Conduct Authority.

Independent auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Manager's investment report

This section gives you confirmation of the Fund objective. It also gives you the investment strategy employed by the investment adviser and an economic, market and portfolio review for the period of the report.

Objectives

The Fund's objective is to provide a high level of income.

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.

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.

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.

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.

The Fund may use derivative instruments (options, futures and contracts for difference) 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.

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.

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.

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. HSBC Global Asset Management (USA) Inc manages approximately 40% of the Fund.

The allocations to these asset classes will vary through time and are reviewed and adjusted to meet the Fund objective at least annually.

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.

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.

| | Percentage growth | | | | |
|------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31.01.14 to 31.01.15 | 31.01.15 to 31.01.16 | 31.01.16 to 31.01.17 | 31.01.17 to 31.01.18 | 31.01.18 to 31.01.19 |
| Fund | 9.5% | -3.8% | 7.9% | 5.3% | -1.3% |

This information relates to the past, and past performance is no guarantee of future performance. All the above figures are on a bid to bid basis, net income reinvested.

Source: Morningstar.

Review of the twelve months to 31 January 2019

Economic and market review

The year to end January 2019 was challenging for financial markets, with major equity markets showing a decline and increased volatility and bond markets also witnessing a rollercoaster ride in fortunes. The year masked very varied performance between periods; the first quarter showed negative equity returns, the second and third quarters showed positive equity returns and the fourth quarter strongly negative returns, only to see a significant rebound back up in January 2019. This lack of a consistent trend made investing in the period challenging.

The volatile performance of markets in the period reflected various factors, - geopolitics, US monetary policy (interest rate) tightening and President Trump's protectionist measures taking centre stage at times over the review period. 2018 also saw divergence in economic performance between the US and the rest of the world, with positive economic momentum in the US contrasting with slower growth elsewhere.

In the US, President Trump announced that the US would place tariffs on aluminium and steel entering the country, prompting fears that it could affect global trade, particularly with China. The increasingly protectionist US policies continued to shape global markets for the rest of the year, as President Trump pushed ahead with plans to place levies on an additional \$200 billion worth of Chinese goods. Meanwhile, worsening US-Turkey relations, and Trump's announcement of doubling tariffs on Turkish steel and aluminium, pushed the Turkish currency into a freefall, sparking jitters of contagion in the EU and triggering a sell-off in emerging-market currencies in the late summer of 2018.

US official interest rates rose on a consistent basis during the period, culminating in December with the Fed Funds rate reaching 2.5%. However, in the face of market volatility in the fourth quarter, the Federal Open Market Committee (FOMC) stopped providing upward bias to its policy rate guidance at its January 2019 meeting, thereby putting into question further interest rate rises in the US in the near term. In Continental Europe, the European Central Bank (ECB) is coming to the end of its quantitative easing programme but, with Continental European economies looking increasingly weak, is not likely to raise interest rates until the autumn of 2019 at the earliest. Meanwhile, in the UK, following its increase in August, the Bank of England's (BoE) Monetary Policy Committee has kept interest rates at 0.75%. Although BoE governor, Mark Carney, has said that future rises are possible until inflation falls back below the BoE's 2% target, monetary policy is likely to remain loose given economic risks such as increased protectionism, ongoing Brexit uncertainty, and volatility in markets.

Turning to markets, US equities rose in the second and third quarters but fell in the fourth quarter, despite strong economic growth momentum, rising inflation and positive jobs data. The sell-off was led by large cap technology stocks (Facebook, Amazon, Apple, Netflix and Google) which have led the bull market in recent years. US corporate earnings have continued to be strong, but profit growth is expected to slow as the benefits of the recent tax cuts drop out. Over the period, President Trump announced further measures to impose tariffs on a raft of imports, with China taking similar retaliatory action as the trade war escalated.

Global bond markets have ridden a rollercoaster of sentiment which has varied between being concerned about interest rate rises and potential for inflation to being much

more sanguine about inflationary pressures, monetary tightening and the strength of economies. With yields near historically low levels global bond issuance has remained elevated. Issuers have looked to raise funds ahead of risks such as the possibility of a global trade war, growing political uncertainty in Europe (particularly surrounding Italy), and increased volatility in emerging markets.

Emerging markets bonds had a poor year in 2018, caught between rising US interest rates and a stronger US Dollar. Trade disruptions and geopolitical factors culminated in a more volatile environment for investors. Rising US Treasury yields and US dollar strength prompted a reversal in investor flows while the implementation of Trump's tariffs agenda, accelerated the flight to safer havens, driving a dispersion in returns between higher quality investment grade and high yield countries. Yet many emerging market countries have weathered the storm undertaking the necessary fiscal and monetary adjustments to absorb these types of external pressures.

Portfolio review

The High Income Fund comprised investments in UK corporate bonds, high yield bonds and emerging market bonds during the period. The corporate bond investment underperformed its benchmark, with the majority of negative contribution coming from security selection, whilst asset allocation also detracted. On the security selection level, the fund's positions in European and UK financial sectors was the main detractor. Within asset allocation, our overweight position in corporate versus securitised assets and supranational bonds detracted from performance.

Within the high yield element, the fund underperformed the benchmark over the review period. By sector, the strategy's main overweight was to basic material and financials, followed by healthcare and health facilities and services. In contrast, the strategy's main underweight was to communications and industrials, followed by telecom given the continued uncertainty around mergers and acquisition activities and their potential outcomes. The strategy also remains underweight within the retail sector on continued structural concerns.

The average credit quality of the fund is one above that of the benchmark on an average basis at BB- but is overweight single B's and CCC's and is underweight BB's. The CCC exposure was largely in more defensive industries and in companies with improving credit profiles.

The emerging market bond investment showed outperformance against its performance comparator over the review period. The largest detractor over the year was the portfolio's underweight to investment grade countries including China, South Korea, Philippines, Hungary and Poland. Further underperformance was generated by overweight positions in Argentina and Turkey. However, these losses were offset by outperformance from a focus on shorter-dated bonds in Indonesia, Peru and South Africa, which performed well during the sell-off in spreads. Shorter-dated bonds in Brazil also contributed to performance as political uncertainty and strike action has weighed on risk-sentiment and longer-dated bonds have underperformed. Elsewhere, participation in a number of new issues in frontier countries including Egypt, Nigeria, Sri Lanka and Kenya also added to gains as subscriptions were high, placing upward pressure on bond prices.

Outlook

UK economic momentum is likely to remain subdued as a result of lower investment, driven by the higher uncertainty for businesses coming from ongoing Brexit negotiations. The services sector is weakening but the labour market remains strong, with further improvements in real wages recently. We expect the Bank of England to hold any rate hikes at least after Brexit uncertainty stops. On the unlikely scenario of a 'hard Brexit' Bank of England would likely implement policies to support economic growth. With a cautious but slightly hawkish central bank, ongoing Brexit negotiations and the economy looking weak, we expect UK Gilts to remain range-bound for the time-being.

The outlook for the high yield market remains largely positive with demand overtaking supply since year end. Global economic growth has moderated, particularly within the Eurozone, UK, Japan and US.

We expect credit spreads will continue to be volatile in the short-term as investors look for some clarity on issues such as trade, global growth, Fed policy and Brexit, which are causing uncertainty in the markets.

Within Emerging Market Debt (EMD), growth forecasts for 2019 have undergone some downward revision but we believe EMD could provide investors with an attractive risk premium over their developed markets counterparts. Valuations cheapened over the course of 2018 resulting in a more attractive entry point for investors, while the yield differential remains compelling. While economic growth is set to moderate, we believe that factors such as a stabilization in oil prices, some remediation in trade tensions and stimulus measures in China should provide some support. However, we remain cautious that a continuation of trade tensions, ECB tightening and geopolitical risk events could present both challenges and opportunities over the year.

Portfolio statement

This section details all the different fixed interest securities/government stocks in which the Fund invests, by denomination currency. It also shows the number of securities held, the percentage each fixed interest security/government stock represents of the Fund as a whole and the value of those securities at the end of the fund accounting year (shown under bid value).

As at 31 January 2019

| HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 JANUARY 2019 | | BID VALUE (£) | % OF NET TOTAL ASSETS | HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 JANUARY 2019 | | BID VALUE (£) | % OF NET TOTAL ASSETS |
|---|------------|---------------------|-----------------------------|---|------------|---------------------|-----------------------------|
| FIXED INTEREST SECURITIES | | | | Aspire Defence | | | |
| (95.20%; 31.01.18 95.17%) | | | | Finance 4.674% | | | |
| | | | | 31/3/2040 | £470,000 | 522,502 | 0.21 |
| STERLING DENOMINATED BONDS | | | | AT&T 2.9% | | | |
| (52.68%; 31.01.18 51.34%) | | | | 4/12/2026 | | | |
| AA Bond 4.2487% | | | | £1,000,000 | 987,468 | 0.39 | |
| 31/7/2043 | £394,000 | 400,186 | 0.16 | AT&T 4.25% | | | |
| AA Bond 4.875% | | | | 1/6/2043 | £350,000 | 364,095 | 0.14 |
| 31/7/2043 | £500,000 | 473,638 | 0.19 | Aviva 6.125% | | | |
| Affinity Sutton 4.25% | | | | 14/11/2036 | £260,000 | 288,731 | 0.11 |
| 8/10/2042 | £200,000 | 238,839 | 0.10 | Aviva 6.125% | | | |
| Affinity Sutton 5.981% | | | | variable perpetual | £920,000 | 971,980 | 0.39 |
| 17/9/2038 | £537,000 | 771,648 | 0.31 | AXA 5.453% variable | | | |
| Allianz Finance 4.5% | | | | perpetual | £906,000 | 945,411 | 0.38 |
| 13/3/2043 | £200,000 | 275,087 | 0.11 | AXA 5.625% variable | | | |
| America Movil 6.375% | | | | 16/1/2054 | £100,000 | 109,894 | 0.04 |
| variable 6/9/2073 | £1,000,000 | 1,053,750 | 0.42 | Bank of America | | | |
| American Honda | | | | 4.25% 10/12/2026 | £1,200,000 | 1,346,548 | 0.54 |
| Finance 1.3% | | | | Bank of America | | | |
| 21/3/2022 | £1,000,000 | 988,887 | 0.39 | 6.125% 15/9/2021 | £1,250,000 | 1,385,315 | 0.55 |
| Anglian Water | | | | Banque Fédérative | | | |
| Services 2.625% | | | | du Crédit Mutuel | | | |
| 15/6/2027 | £350,000 | 330,715 | 0.13 | 0.875% 8/6/2020 | £400,000 | 396,007 | 0.16 |
| Anheuser-Busch | | | | Barclays Bank | | | |
| InBev 1.75% | | | | 2.375% variable | | | |
| 7/3/2025 | £419,000 | 402,857 | 0.16 | 6/10/2023 | £560,000 | 547,330 | 0.22 |
| Anheuser-Busch | | | | Barclays Bank | | | |
| InBev 2.25% | | | | 3.125% 17/1/2024 | £833,000 | 832,935 | 0.33 |
| 24/5/2029 | £513,000 | 481,088 | 0.19 | Barclays Bank | | | |
| Anheuser-Busch | | | | 3.25% 17/1/2033 | £382,000 | 351,209 | 0.14 |
| InBev 2.85% | | | | Barclays Bank | | | |
| 25/5/2037 | £339,000 | 311,900 | 0.12 | 4.25% 12/1/2022 | £2,279,000 | 2,461,320 | 0.98 |
| Annington Finance | | | | BAT International | | | |
| 2.646% 12/7/2025 | £318,000 | 312,777 | 0.12 | Finance 1.75% | | | |
| Annington Finance | | | | 5/7/2021 | £463,000 | 459,015 | 0.18 |
| 3.184% 12/7/2029 | £616,000 | 608,292 | 0.24 | BAT International | | | |
| Annington Finance | | | | Finance 2.25% | | | |
| 3.685% 12/7/2034 | £203,000 | 203,688 | 0.08 | 9/9/2052 | £730,000 | 481,651 | 0.19 |
| Annington Finance | | | | BAT International | | | |
| 3.935% 12/7/2047 | £250,000 | 252,561 | 0.10 | Finance 4% 4/9/2026 | £600,000 | 632,927 | 0.25 |

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|---|------------|---------------------|-----------------------------|---|------------|---------------------|-----------------------------|
| BHP Billiton Finance 6.5% variable 22/10/2077 | £264,000 | 294,294 | 0.12 | CYBG 3.125% variable 22/6/2025 | £438,000 | 407,658 | 0.16 |
| BL Superstore 5.578% 4/10/2025 | £1,800,000 | 2,068,740 | 0.82 | CYBG 4% variable 25/9/2026 | £240,000 | 230,159 | 0.09 |
| BMW International Investment 1.875% 11/9/2023 | £380,000 | 374,062 | 0.15 | Daimler 1.5% 18/8/2021 | £600,000 | 591,764 | 0.24 |
| BNP Paribas 3.375% 23/1/2026 | £1,000,000 | 1,016,491 | 0.40 | Daimler 2% 4/9/2023 | £500,000 | 490,775 | 0.20 |
| BP Capital Markets 2.274% 3/7/2026 | £500,000 | 501,029 | 0.20 | Daimler 2.75% 4/12/2020 | £950,000 | 965,533 | 0.38 |
| BPCE 5.25% 16/4/2029 | £900,000 | 1,042,767 | 0.42 | Deutsche Bank 1.75% 16/12/2021 | £400,000 | 383,222 | 0.15 |
| British Telecommunications 3.625% 21/11/2047 | £200,000 | 191,616 | 0.08 | Digital Stout Holding 3.75% 17/10/2030 | £133,000 | 133,979 | 0.05 |
| Broadgate Financing 4.821% 5/7/2033 | £540,000 | 690,371 | 0.27 | Direct Line Insurance Group 4.75% variable perpetual | £344,000 | 279,569 | 0.11 |
| Broadgate Financing 5.098% 5/4/2035 | £130,000 | 140,751 | 0.06 | Dong Energy 5.75% 9/4/2040 | £250,000 | 356,067 | 0.14 |
| Cadent Finance 2.625% 22/9/2038 | £950,000 | 882,375 | 0.35 | Electricite de France 5.5% 27/3/2037 | £300,000 | 379,651 | 0.15 |
| Cadent Finance 2.75% 22/9/2046 | £868,000 | 792,883 | 0.32 | Electricite de France 5.5% 17/10/2041 | £400,000 | 515,776 | 0.21 |
| Citigroup 2.75% 24/1/2024 | £402,000 | 407,096 | 0.16 | Electricite de France 5.875% variable perpetual | £500,000 | 481,225 | 0.19 |
| Citigroup 5.15% 21/5/2026 | £942,000 | 1,100,744 | 0.44 | Electricite de France 6% 23/1/2114 | £500,000 | 680,043 | 0.27 |
| Coventry Building Society 1.875% 24/10/2023 | £383,000 | 373,604 | 0.15 | Electricite de France 6% variable perpetual | £600,000 | 601,653 | 0.24 |
| CPUK Finance 7.239% 28/2/2042 | £1,110,000 | 1,343,740 | 0.54 | Electricite de France 6.25% 30/5/2028 | £650,000 | 839,964 | 0.33 |
| Credit Suisse Group Funding 2.75% 8/8/2025 | £1,571,000 | 1,550,004 | 0.62 | Enel Finance 5.75% 14/9/2040 | £1,584,000 | 1,942,221 | 0.77 |
| Credit Suisse Group Funding 3% 27/5/2022 | £1,093,000 | 1,120,486 | 0.45 | European Investment Bank 4.5% 7/3/2044 | £4,110,000 | 6,119,841 | 2.44 |
| | | | | Eversholt Funding 6.697% 22/2/2035 | £790,000 | 999,992 | 0.40 |
| | | | | Gatwick Funding 3.125% 28/9/2041 | £561,000 | 549,112 | 0.22 |

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|---|---|---------------------|-----------------------------|---|---|---------------------|-----------------------------|
| Gatwick Funding 5.75% 23/1/2037 | £680,000 | 910,087 | 0.36 | HSBC Holdings 5.875% variable perpetual* | £200,000 | 198,520 | 0.08 |
| CE Capital UK Funding 5.875% 18/1/2033 | £2,115,000 | 2,465,455 | 0.98 | HSBC Holdings 6% 29/3/2040* | £1,825,000 | 2,303,332 | 0.92 |
| General Motors Financial 2.25% 6/9/2024 | £645,000 | 611,720 | 0.24 | HSBC Holdings 7% 7/4/2038* | £350,000 | 488,220 | 0.19 |
| GKN Holdings 3.375% 12/5/2032 | £339,000 | 323,779 | 0.13 | Imperial Brands 4.875% 7/6/2032 | £680,000 | 751,183 | 0.30 |
| GlaxoSmithkline Capital 4.25% 18/12/2045 | £800,000 | 990,780 | 0.39 | Imperial Brands 5.5% 28/9/2026 | £490,000 | 562,188 | 0.22 |
| Glencore 6% 3/4/2022 | £173,000 | 190,913 | 0.08 | ING Bank 5.375% 15/4/2021 | £430,000 | 465,069 | 0.19 |
| Goldman Sachs 3.125% 25/7/2029 | £352,000 | 350,043 | 0.14 | Innogy Finance 4.75% 31/1/2034 | £1,000,000 | 1,179,371 | 0.47 |
| Goldman Sachs 4.25% 29/1/2026 | £100,000 | 108,547 | 0.04 | Innogy Finance 6.125% 6/7/2039 | £350,000 | 491,331 | 0.20 |
| Great Rolling Stock 6.5% 5/4/2031 | £600,000 | 652,363 | 0.26 | Innogy Finance 6.25% 3/6/2030 | £342,000 | 447,573 | 0.18 |
| Greene King Finance 4.0643% 15/3/2035 | £496,000 | 468,422 | 0.19 | Intu (SCS) Finance 3.875% 17/3/2023 | £950,000 | 917,455 | 0.37 |
| Hammerson 6% 23/2/2026 | £303,000 | 344,731 | 0.14 | Intu (SCS) Finance 4.25% 17/9/2035 | £300,000 | 274,819 | 0.11 |
| Heathrow Funding 2.75% 9/8/2051 | £155,000 | 139,512 | 0.06 | Intu Metrocentre Finance 4.125% 6/12/2028 | £790,000 | 769,533 | 0.31 |
| Heathrow Funding 5.875% 13/5/2041 | £782,000 | 1,103,254 | 0.44 | Italy (Government of) 6% 4/8/2028 | £540,000 | 620,380 | 0.25 |
| Heathrow Funding 6% 20/3/2020 | £1,840,000 | 1,926,716 | 0.77 | JT International Financial Services 2.75% 28/9/2033 | £114,000 | 112,561 | 0.04 |
| Heathrow Funding 7.125% 14/2/2024 | £1,170,000 | 1,408,916 | 0.56 | Juturna Euro Loan Conduit 5.0636% 10/8/2033 | £1,366,000 | 1,399,574 | 0.56 |
| HSBC Holdings 2.175% variable 27/6/2023* | £485,000 | 480,631 | 0.19 | KFW 5.75% 7/6/2032 | £3,295,000 | 4,875,130 | 1.94 |
| HSBC Holdings 2.256% variable 13/11/2026* | £583,000 | 562,417 | 0.22 | Koninklijke 5.75% 17/9/2029 | £346,000 | 396,983 | 0.16 |

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|--|---|---------------------|-----------------------------|--|---|---------------------|-----------------------------|
| Korea Development Bank 1.75% 15/12/2022 | £500,000 | 497,426 | 0.20 | Motability Operations Group 2.375% 14/3/2032 | £515,000 | 508,035 | 0.20 |
| LafargeHolcim Sterling Finance (Netherlands) 3% 12/5/2032 | £177,000 | 162,048 | 0.06 | National Grid Electricity Transmission 2.75% 6/2/2035 | £133,000 | 134,277 | 0.05 |
| LCR Finance 5.1% 7/3/2051 | £750,000 | 1,303,110 | 0.52 | Network Rail 4.75% 29/11/2035 | £2,050,000 | 2,896,035 | 1.15 |
| Leeds Building Society 3.75% variable 25/4/2029 | £150,000 | 133,845 | 0.05 | Northumbrian Water Finance 2.375% 5/10/2027 | £464,000 | 454,861 | 0.18 |
| Legal & General 5.125% variable 14/11/2048 | £419,000 | 434,388 | 0.17 | Orange 8.125% 20/11/2028 | £470,000 | 684,033 | 0.27 |
| Lloyds Banking Group 2.25% 16/10/2024 | £1,247,000 | 1,208,577 | 0.48 | PCH Capital 4.125% 20/7/2022 | £595,000 | 601,932 | 0.24 |
| Lloyds Banking Group 7.625% 22/4/2025 | £930,000 | 1,174,152 | 0.47 | Phoenix Group 5.75% variable perpetual | £313,000 | 255,658 | 0.10 |
| London & Quardrant 2.75% 20/7/2057 | £304,000 | 266,846 | 0.11 | Prudential 5% 20/7/2055 | £200,000 | 209,885 | 0.08 |
| London & Quardrant 4.625% 5/12/2033 | £540,000 | 650,353 | 0.26 | Quadrant Housing 7.93% 10/2/2033 | £280,000 | 379,550 | 0.15 |
| Marston's Issuer 5.1576% variable 15/10/2027 | £599,000 | 543,293 | 0.22 | Royal Bank of Scotland 2.875% variable 19/9/2026 | £900,000 | 874,887 | 0.35 |
| Marston's Issuer 5.1774% variable 15/7/2032 | £208,000 | 222,376 | 0.09 | Royal Bank of Scotland 5.125% 13/1/2024 | £1,600,000 | 1,854,712 | 0.74 |
| Mexico (Government of) 5.625% 19/3/2114 | £250,000 | 245,765 | 0.10 | RCI Banque SA 1.875% 8/11/2022 | £462,000 | 448,357 | 0.18 |
| Mondelez International 3.875% 6/3/2045 | £300,000 | 309,510 | 0.12 | Saga 3.375% 12/5/2024 | £581,000 | 519,995 | 0.21 |
| Mondelez International 4.5% 3/12/2035 | £490,000 | 545,860 | 0.22 | Sanctuary Capital 5% 26/4/2047 | £510,000 | 687,433 | 0.27 |
| | | | | Santander UK 5.25% 16/2/2029 | £1,440,000 | 1,833,655 | 0.73 |
| | | | | Santander UK Group Holdings 2.92% variable 8/5/2026 | £300,000 | 293,039 | 0.12 |

Portfolio statement

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As at 31 January 2019

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|---|------------|---------------------|-----------------------------|---|------------|---------------------|-----------------------------|
| Santander UK | | | | Telereal | | | |
| Group Holdings | | | | Securitisation 5.4252% | | | |
| 3.625% 14/1/2026 | £1,025,000 | 1,049,865 | 0.42 | 10/12/2031 | £140,000 | 149,970 | 0.06 |
| Santander UK | | | | Telereal | | | |
| Group Holdings 6.75% | | | | Securitisation 6.1645% | | | |
| variable perpetual | £200,000 | 201,900 | 0.08 | 10/12/2031 | £182,000 | 204,670 | 0.08 |
| Scentre Management | | | | Thames Water Utilities | | | |
| 2.375% 8/4/2022 | £880,000 | 891,116 | 0.35 | 2.375% 3/5/2023 | £995,000 | 964,712 | 0.38 |
| Severn Trent Utilities | | | | Time Warner Cable | | | |
| Finance 6.125% | | | | 5.25% 15/7/2042 | £338,000 | 372,920 | 0.15 |
| 26/2/2024 | £396,000 | 469,149 | 0.19 | UBS 1.25% | | | |
| Sky 4% 26/11/2029 | £700,000 | 792,127 | 0.32 | 10/12/2020 | £315,000 | 313,210 | 0.12 |
| SNCF Reseau | | | | UK Treasury | | | |
| 5% 11/3/2052 | £230,000 | 363,238 | 0.14 | 1.5% 22/7/2026 | £320,000 | 330,726 | 0.13 |
| SNCF Reseau | | | | UK Treasury | | | |
| 5.25% 31/1/2035 | £1,070,000 | 1,494,774 | 0.60 | 1.5% 22/7/2047 | £150,000 | 142,465 | 0.06 |
| Society of Lloyds | | | | UK Treasury | | | |
| 4.75% 30/10/2024 | £1,340,000 | 1,432,192 | 0.57 | 1.625% 22/10/2071 | £340,000 | 341,299 | 0.14 |
| South Eastern Power | | | | UK Treasury | | | |
| Networks 5.625% | | | | 2.75% 7/9/2024 | £315,000 | 346,191 | 0.14 |
| 30/9/2030 | £780,000 | 992,617 | 0.40 | UK Treasury | | | |
| Southern Water | | | | 4% 7/3/2022 | £490,000 | 538,187 | 0.21 |
| Services Finance | | | | UK Treasury | | | |
| 4.5% variable | | | | 4.25% 7/9/2039 | £315,000 | 456,914 | 0.18 |
| 31/3/2038 | £900,000 | 974,894 | 0.39 | UK Treasury | | | |
| Svenska | | | | 4.25% 7/12/2027 | £1,600,000 | 2,020,688 | 0.80 |
| Handelsbanken | | | | UK Treasury | | | |
| 1.625% 18/6/2022 | £472,000 | 471,109 | 0.19 | 4.75% 7/12/2030 | £230,000 | 315,905 | 0.13 |
| Swedbank | | | | UK Treasury | | | |
| 1.25% 29/12/2021 | £402,000 | 396,658 | 0.16 | 4.75% 7/12/2038 | £680,000 | 1,038,720 | 0.41 |
| Telefonica Emisiones | | | | UK Treasury | | | |
| 5.375% 2/2/2026 | £240,000 | 278,363 | 0.11 | 6% 7/12/2028 | £480,000 | 693,077 | 0.28 |
| Telereal | | | | UK Treasury | | | |
| Securitisation 4.0902% | | | | 0.5% 22/7/2022 | £1,400,000 | 1,385,454 | 0.55 |
| variable 10/12/2033 | £100,000 | 103,640 | 0.04 | UK Treasury | | | |
| Telereal | | | | 1.5% 22/1/2021 | £1,750,000 | 1,775,113 | 0.71 |
| Securitisation 4.01% | | | | UK Treasury | | | |
| 10/12/2033 | £1,500,000 | 1,226,613 | 0.49 | 3.25% 22/1/2044 | £180,000 | 235,364 | 0.09 |

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|---|----------|---------------------|-----------------------------|---|------------|---------------------|-----------------------------|
| Unique Pub Finance 5.659% 30/6/2027 | £424,000 | 331,714 | 0.13 | WPP Finance 2.875% 14/9/2046 | £498,000 | 392,358 | 0.16 |
| Virgin Money 3.375% variable 24/4/2026 | £264,000 | 248,031 | 0.10 | Yorkshire Building Society 3.375% variable 13/9/2028 | £280,000 | 251,760 | 0.10 |
| Vodafone 3% 12/8/2056 | £887,000 | 734,468 | 0.29 | Yorkshire Water 6.5876% 21/2/2023 | £1,684,000 | 1,997,317 | 0.80 |
| Volkswagen Financial Services 1.875% 7/9/2021 | £200,000 | 197,468 | 0.08 | Total sterling denominated bonds | | 132,264,754 | 52.68 |
| Volkswagen Financial Services 2.25% 12/4/2025 | £466,000 | 446,589 | 0.18 | EURO DENOMINATED BONDS (1.25%; 31.01.18 1.16%) | | | |
| Wellcome Trust 2.517% 7/2/2018 | £100,000 | 95,003 | 0.04 | Assicurazioni Generali 7.75% variable 12/12/2042 | €200,000 | 206,220 | 0.08 |
| Wells Fargo & Company 1.375% 30/6/2022 | £880,000 | 861,087 | 0.34 | Assicurazioni Generali 10.125% variable 10/7/2042 | €100,000 | 109,251 | 0.04 |
| Wells Fargo & Company 2% 28/7/2025 | £925,000 | 906,618 | 0.36 | Barclays Bank 1.375% 24/1/2026 | €280,000 | 232,193 | 0.09 |
| Western Power Distribution Holding 5.75% 23/3/2040 | £800,000 | 1,102,867 | 0.44 | Côte d'Ivoire (Government of) 6.625% 22/3/2048 | €190,000 | 147,696 | 0.06 |
| Western Power Distribution Holding 2.375% 16/5/2029 | £264,000 | 255,918 | 0.10 | Enel 2.5% variable 24/11/2078 | €200,000 | 164,959 | 0.07 |
| Western Power Distribution Holding 3.5% 16/10/2026 | £200,000 | 202,171 | 0.08 | IBM 1.25% 29/1/2027 | €136,000 | 118,910 | 0.05 |
| Western Power Distribution Holding 5.75% 10/12/2040 | £100,000 | 146,282 | 0.06 | Innogy Finance 5.75% 14/2/2033 | €345,000 | 422,578 | 0.17 |
| Western Power Distribution Holding 3.875% 17/10/2024 | £353,000 | 382,438 | 0.15 | KBC 4.25% variable perpetual | €400,000 | 311,232 | 0.12 |
| Westfield America Manage 2.625% 30/3/2029 | £300,000 | 293,916 | 0.12 | Natwest Markets 1.125% 14/6/2023 | €364,000 | 312,113 | 0.12 |
| | | | | Novartis Finance 1.7% 14/8/2038 | €666,000 | 584,851 | 0.23 |
| | | | | UniCredit 6.95% 31/10/2022 | €90,000 | 89,143 | 0.04 |
| | | | | Volkswagen Financial Services 1.875% 31/1/2024 | €500,000 | 439,480 | 0.18 |
| | | | | Total euro denominated bonds | | 3,138,626 | 1.25 |

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|---|---------------------|-----------------------------|---|---------------------|-----------------------------|
| INDONESIAN RUPIAH DENOMINATED BONDS | | | Ally Financial | | |
| (0.42%; 31.01.18 0.00%) | | | 4.125% 13/2/2022 \$124,000 94,454 0.04 | | |
| Indonesia | | | Ally Financial | | |
| (Government of) | | | 4.25% 15/4/2021 \$180,000 137,519 0.05 | | |
| 7.375% | | | Ally Financial | | |
| 15/5/2048 IDR5,100,000,000 232,379 0.09 | | | 4.625% 19/5/2022 \$422,000 327,058 0.13 | | |
| Indonesia | | | Ally Financial | | |
| (Government of) | | | 4.625% 30/3/2025 \$88,000 67,052 0.03 | | |
| 8.125% | | | Ally Financial | | |
| 15/5/2024 IDR10,000,000,000 551,737 0.22 | | | 5.75% 20/11/2025 \$388,000 309,043 0.12 | | |
| Indonesia | | | Altice Financing | | |
| (Government of) | | | 6.625% 15/2/2023 \$244,000 186,703 0.07 | | |
| 8.375% | | | American Express | | |
| 15/03/2034 IDR5,338,000,000 287,224 0.11 | | | 5.2% variable | | |
| Total Indonesian | | | perpetual \$415,000 317,548 0.13 | | |
| rupiah denominated bonds | | | 1,071,340 0.42 | | |
| MEXICAN PESO DENOMINATED BONDS | | | Amsurg | | |
| (0.36%; 31.01.18 0.17%) | | | 8.75% 15/10/2026 \$791,000 548,324 0.22 | | |
| Mexico | | | Andeavor Logistics | | |
| (Government of) | | | 6.875% variable | | |
| 8% 7/11/2047 MXN245,200 898,643 0.36 | | | perpetual \$275,000 199,124 0.08 | | |
| Total Mexican peso | | | ARD Finance | | |
| denominated bonds | | | 7.125% 15/9/2023 \$481,000 352,856 0.14 | | |
| 898,643 0.36 | | | Ardagh Packaging | | |
| US DOLLAR DENOMINATED BONDS | | | Finance 4.625% | | |
| (40.49%; 31.01.18 42.50%) | | | 15/5/2023 \$200,000 152,039 0.06 | | |
| Acadia Healthcare | | | Argentina | | |
| 5.125% 1/7/2022 \$304,000 227,344 0.09 | | | (Republic of) | | |
| Acadia Healthcare | | | 5.875% 11/1/2028 \$2,825,000 1,707,305 0.68 | | |
| 5.625% 15/2/2023 \$269,000 200,914 0.08 | | | Argentina | | |
| Acadia Healthcare | | | (Republic of) | | |
| 6.5% 1/3/2024 \$350,000 262,078 0.10 | | | 6.875% 22/4/2021 \$325,000 235,946 0.09 | | |
| Aircastle | | | Argentina | | |
| 5% 1/4/2023 \$115,000 88,749 0.04 | | | (Republic of) | | |
| Aircastle | | | 6.875% 11/1/2048 \$2,045,000 1,189,270 0.47 | | |
| 5.5% 15/2/2022 \$59,000 46,088 0.02 | | | Argentina | | |
| AK Steel | | | (Republic of) | | |
| 7.5% 15/7/2023 \$108,000 83,491 0.03 | | | 7.5% 22/4/2026 \$550,000 370,657 0.15 | | |
| Akbank 6.797% | | | Ascent Resources | | |
| variable 27/4/2028 \$450,000 295,530 0.12 | | | Utica Holdings | | |
| Alcoa 5.9% 1/2/2027 \$350,000 266,069 0.11 | | | 7% 1/11/2026 \$176,000 129,092 0.05 | | |

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|---|-----------|---------------------|-----------------------------|---|-----------|---------------------|-----------------------------|
| Avolon Holdings 5.125% 1/10/2023 | \$350,000 | 270,113 | 0.11 | Cablevision Systems 5.875% 15/9/2022 | \$783,000 | 597,408 | 0.24 |
| Banco Bilbao Vizcaya Argentina 6.125% variable perpetual | \$200,000 | 134,114 | 0.05 | Calpine 5.75% 15/1/2025 | \$452,000 | 324,710 | 0.13 |
| Banff Merger Sub 9.75% 1/9/2026 | \$546,000 | 395,351 | 0.16 | Calpine 6% 15/1/2022 | \$323,000 | 247,862 | 0.10 |
| Bank of America 6.5% variable perpetual | \$350,000 | 286,452 | 0.11 | Camelot Finance 7.875% 15/10/2024 | \$442,000 | 348,607 | 0.14 |
| Barclays Bank 7.875% variable perpetual | \$200,000 | 158,258 | 0.06 | Capital One Financial 5.55% variable perpetual | \$200,000 | 153,256 | 0.06 |
| Bausch Health 5.5% 1/3/2023 | \$117,000 | 86,275 | 0.03 | Carlson Travel 6.75% 15/12/2023 | \$533,000 | 401,133 | 0.16 |
| Bausch Health 5.5% 1/11/2025 | \$215,000 | 162,421 | 0.06 | Cascades 5.5% 15/7/2022 | \$183,000 | 138,420 | 0.05 |
| Bausch Health 5.625% 1/12/2021 | \$374,000 | 284,669 | 0.11 | CCO Holdings 5% 1/2/2028 | \$267,000 | 192,866 | 0.08 |
| Bausch Health 6.125% 15/4/2025 | \$246,000 | 176,723 | 0.07 | CCO Holdings 5.125% 1/5/2027 | \$209,000 | 153,315 | 0.06 |
| BBVA Bancomer 5.125% variable 18/1/2033 | \$200,000 | 136,531 | 0.05 | CCO Holdings 5.25% 30/9/2022 | \$111,000 | 85,304 | 0.03 |
| Blue Cube Spinco 10% 15/10/2025 | \$169,000 | 146,781 | 0.06 | CCO Holdings 5.5% 1/5/2026 | \$810,000 | 614,219 | 0.24 |
| Blue Racer Midstream 6.125% 15/11/2022 | \$808,000 | 620,381 | 0.25 | CCO Holdings 5.875% 1/4/2024 | \$183,000 | 142,420 | 0.06 |
| Blue Racer Midstream 6.625% 15/7/2026 | \$292,000 | 218,648 | 0.09 | Centene 4.75% 15/5/2022 | \$145,000 | 112,191 | 0.04 |
| Boyd Gaming 6.875% 15/5/2023 | \$125,000 | 98,232 | 0.04 | Centene 5.375% 1/6/2026 | \$44,000 | 34,578 | 0.01 |
| Boyne USA 7.25% 1/5/2025 | \$265,000 | 210,517 | 0.08 | Centene 6.125% 15/2/2024 | \$191,000 | 152,094 | 0.06 |
| Buckeye Partners 6.375% variable 22/1/2078 | \$147,000 | 96,800 | 0.04 | Centurylink 5.625% 1/4/2020 | \$159,000 | 121,965 | 0.05 |
| Buenos Aires (Province of) 9.125% 16/3/2024 | \$400,000 | 276,106 | 0.11 | CFX Escrow 6.375% 15/2/2026 | \$170,000 | 129,233 | 0.05 |
| | | | | Chemours 5.375% 15/5/2027 | \$290,000 | 211,639 | 0.08 |
| | | | | Chemours 6.625% 15/5/2023 | \$131,000 | 102,947 | 0.04 |

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|-------------------------------------|---|---------------------|-----------------------------|---|---|---------------------|-----------------------------|
| Chemours 7% | | | | CSC Holdings | | | |
| 15/5/2025 | \$87,000 | 69,031 | 0.03 | 6.5% 1/2/2029 | \$474,000 | 365,062 | 0.15 |
| Citigroup 5.875% | | | | CSC Holdings | | | |
| variable perpetual | \$740,000 | 566,764 | 0.23 | 10.875% 15/10/2025 | \$222,000 | 194,532 | 0.08 |
| Clearwater Paper | | | | DCP Midstream | | | |
| 4.5% 1/2/2023 | \$281,000 | 201,247 | 0.08 | 7.375% variable | | | |
| Clearwater Paper | | | | perpetual | \$194,000 | 139,367 | 0.06 |
| 5.375% 1/2/2025 | \$630,000 | 449,589 | 0.18 | Dell 7.1% | | | |
| Cleveland-Cliffs | | | | 15/4/2028 | \$503,000 | 405,818 | 0.16 |
| 5.75% 1/3/2025 | \$775,000 | 570,005 | 0.23 | Delta Merger Sub | | | |
| Codelco 4.375% | | | | 6% 15/9/2026 | \$208,000 | 157,725 | 0.06 |
| 5/2/2049 | \$517,000 | 368,626 | 0.15 | Diamond 1 Finance/ Diamond 2 Finance | | | |
| Colbun SA 3.95% | | | | 2 7.125% 15/6/2024 | \$548,000 | 439,522 | 0.18 |
| 11/10/2027 | \$200,000 | 146,262 | 0.06 | Dish DBS | | | |
| Colombia (Republic of) | | | | 5.875% 15/7/2022 | \$50,000 | 36,109 | 0.01 |
| 2.625% 15/3/2023 | \$685,000 | 499,905 | 0.20 | Dish DBS | | | |
| Comision Federal De Electricidad | | | | 5.875% 15/11/2024 | \$85,000 | 53,551 | 0.02 |
| 4.875% 15/1/2024 | \$200,000 | 152,026 | 0.06 | Dish DBS | | | |
| CommScope 5% | | | | 6.75% 1/6/2021 | \$182,000 | 140,917 | 0.06 |
| 15/6/2021 | \$228,000 | 172,241 | 0.07 | Dominican Republic | | | |
| Costa Rica (Republic of) | | | | 6.85% 27/1/2045 | \$795,000 | 623,997 | 0.25 |
| 7% 4/4/2044 | \$600,000 | 407,131 | 0.16 | Eagle Holding | | | |
| Costa Rica (Republic of) | | | | 7.625% 15/5/2022 | \$878,000 | 667,452 | 0.27 |
| 7.158% 12/3/2045 | \$450,000 | 309,162 | 0.12 | Ecuador (Republic of) | | | |
| Côte d'Ivoire (Government of) | | | | 7.875% 23/1/2028 | \$300,000 | 202,220 | 0.08 |
| 5.375% 23/7/2024 | \$200,000 | 144,878 | 0.06 | Ecuador (Republic of) | | | |
| Côte d'Ivoire (Government of) | | | | 7.95% 20/6/2024 | \$200,000 | 144,088 | 0.06 |
| 5.75% 31/12/2032 | | | | Ecuador (Republic of) | | | |
| Step | \$202,000 | 127,995 | 0.05 | 8.875% 23/10/2027 | \$260,000 | 184,547 | 0.07 |
| Côte d'Ivoire (Government of) | | | | Ecuador (Republic of) | | | |
| 6.375% 3/3/2028 | \$480,000 | 348,941 | 0.14 | 9.65% 13/12/2026 | \$400,000 | 297,298 | 0.12 |
| Credit Agricole SA | | | | Egypt (Republic of) | | | |
| 6.625% variable perpetual | \$357,000 | 271,797 | 0.11 | 8.50% 31/1/2047 | \$1,175,000 | 858,771 | 0.34 |
| | | | | El Salvador (Government of) | | | |
| | | | | 7.625% 1/2/2041 | \$150,000 | 111,606 | 0.04 |
| | | | | El Salvador (Government of) | | | |
| | | | | 8.25% 10/4/2032 | \$190,000 | 151,461 | 0.06 |

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| Eldorado Resorts 7% 1/8/2023 | \$500,000 | 396,727 | 0.16 | Genesis Energy 5.625% 15/6/2024 | \$1,014,000 | 709,172 | 0.28 |
| Electricite de France 5.25% variable perpetual | \$650,000 | 486,411 | 0.19 | GFL Environmental 5.375% 1/3/2023 | \$168,000 | 120,031 | 0.05 |
| Electricite de France 6% 22/1/2114 | \$740,000 | 552,143 | 0.22 | GFL Environmental 5.625% 1/5/2022 | \$71,000 | 51,866 | 0.02 |
| Empresa Nacional del Petroleo 4.5% 14/9/2047 | \$200,000 | 137,259 | 0.05 | Ghana (Republic of) 7.625% 16/5/2029 | \$400,000 | 289,194 | 0.12 |
| Energy Transfer Partners 6.25% variable perpetual | \$593,000 | 405,514 | 0.16 | Ghana (Republic of) 10.75% 14/10/2030 | \$200,000 | 178,722 | 0.07 |
| Enel Finance 4.875% 14/6/2029 | \$329,000 | 245,092 | 0.10 | Golden Nugget 6.75% 15/10/2024 | \$438,000 | 334,452 | 0.13 |
| EnLink Midstream Partners 6% variable perpetual | \$844,000 | 519,700 | 0.21 | Golden Nugget 8.75% 1/10/2025 | \$751,000 | 581,507 | 0.23 |
| Export Import Bank of China 3.25% 28/11/2027 | \$460,000 | 333,266 | 0.13 | Goldman Sachs 5% variable perpetual | \$400,000 | 280,132 | 0.11 |
| Export Import Bank of China 3.625% 31/7/2024 | \$200,000 | 153,107 | 0.06 | Gray Escrow 7% 15/5/2027 | \$320,000 | 250,360 | 0.10 |
| Export Import Bank of India 3.375% 5/8/2026 | \$200,000 | 142,877 | 0.06 | Gray Television 5.875% 15/7/2026 | \$343,000 | 254,262 | 0.10 |
| FAGE International 5.625% 15/8/2026 | \$660,000 | 432,742 | 0.17 | Greif 6.5% 1/3/2027 | \$356,000 | 272,321 | 0.11 |
| Financial & Risk US Holdings 6.25% 15/5/2026 | \$170,000 | 126,649 | 0.05 | Gulfport Energy 6% 15/10/2024 | \$1,000,000 | 714,584 | 0.28 |
| Financial & Risk US Holdings 8.25% 15/11/2026 | \$361,000 | 257,279 | 0.10 | HCA 4.5% 15/2/2027 | \$195,000 | 149,350 | 0.06 |
| Freeport-McMoRan 4.55% 14/11/2024 | \$433,000 | 315,587 | 0.13 | HCA 4.75% 1/5/2023 | \$54,000 | 42,179 | 0.02 |
| Gabonese Republic 6.95% 16/6/2025 | \$350,000 | 255,426 | 0.10 | HCA 5.375% 1/2/2025 | \$261,000 | 204,798 | 0.08 |
| Gazprom 4.95% 23/3/2027 | \$200,000 | 148,784 | 0.06 | HCA 5.875% 15/2/2026 | \$150,000 | 120,301 | 0.05 |
| | | | | HCA 5.875% 1/2/2029 | \$24,000 | 18,815 | 0.01 |
| | | | | HCA 6.5% 15/2/2020 | \$62,000 | 48,428 | 0.02 |
| | | | | HCA 7.5% 15/2/2022 | \$726,000 | 604,333 | 0.24 |
| | | | | HSBC Holdings 6% variable perpetual* | \$500,000 | 366,186 | 0.15 |

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|------------------|---|---------------------|-----------------------------|--------------------|---|---------------------|-----------------------------|
| HudBay Minerals | | | | Jaguar Holding | | | |
| 7.25% 15/1/2023 | \$550,000 | 428,561 | 0.17 | 6.375% 1/8/2023 | \$303,000 | 229,188 | 0.09 |
| HudBay Minerals | | | | Jamaica | | | |
| 7.625% 15/1/2025 | \$145,000 | 113,260 | 0.05 | (Government of) | | | |
| IAMGOLD | | | | 8% 15/3/2039 | \$300,000 | 269,109 | 0.11 |
| 7% 15/4/2025 | \$612,000 | 453,027 | 0.18 | JPMorgan 6% | | | |
| ICICI Bank | | | | variable perpetual | \$825,000 | 639,701 | 0.25 |
| 5.75% 16/11/2020 | \$160,000 | 125,759 | 0.05 | KazmunayGas | | | |
| Indian Oil | | | | National 4.75% | | | |
| 5.75% 1/8/2023 | \$425,000 | 343,737 | 0.14 | 19/4/2027 | \$1,100,000 | 843,491 | 0.34 |
| Indonesia | | | | KazmunayGas | | | |
| (Government of) | | | | National 5.75% | | | |
| 4.35% 8/1/2027 | \$1,100,000 | 843,850 | 0.34 | 19/4/2047 | \$200,000 | 152,252 | 0.06 |
| Indonesia | | | | KazmunayGas | | | |
| (Government of) | | | | National 6.375% | | | |
| 4.75% 8/1/2026 | \$1,775,000 | 1,399,126 | 0.56 | 24/10/2048 | \$200,000 | 162,302 | 0.06 |
| Indonesia | | | | Kenya | | | |
| (Government of) | | | | (Republic of) | | | |
| 5.25% 17/1/2042 | \$500,000 | 398,847 | 0.16 | 7.25% 28/2/2028 | \$200,000 | 148,348 | 0.06 |
| Indonesia | | | | Kenya | | | |
| (Government of) | | | | (Republic of) | | | |
| 6.625% 17/2/2037 | \$400,000 | 367,371 | 0.15 | 8.25% 28/2/2048 | \$200,000 | 146,177 | 0.06 |
| Indonesia | | | | L Brands | | | |
| (Government of) | | | | 6.875% 1/11/2035 | \$36,000 | 23,467 | 0.01 |
| 7.75% 17/1/2038 | \$675,000 | 687,141 | 0.27 | Lamar Media | | | |
| Indonesia | | | | 5.75% 1/2/2026 | \$200,000 | 157,452 | 0.06 |
| (Government of) | | | | Lebanon | | | |
| 8.5% 12/10/2035 | \$100,000 | 105,774 | 0.04 | (Republic of) | | | |
| Infor US | | | | 6.85% 23/3/2027 | \$650,000 | 409,256 | 0.16 |
| 6.5% 15/5/2022 | \$250,000 | 193,375 | 0.08 | Level 3 | | | |
| Intelsat Jackson | | | | Communications | | | |
| Holding 8.5% | | | | 5.75% 1/12/2022 | \$439,000 | 333,726 | 0.13 |
| 15/10/2024 | \$681,000 | 523,026 | 0.21 | Level 3 Financing | | | |
| inVentiv Group | | | | 5.375% 15/8/2022 | \$251,000 | 192,298 | 0.08 |
| 7.5% 1/10/2024 | \$356,000 | 285,176 | 0.11 | Level 3 Financing | | | |
| Iraq | | | | 5.375% 15/1/2024 | \$179,000 | 135,395 | 0.05 |
| (Republic of) | | | | Level 3 Financing | | | |
| 6.752% 9/3/2023 | \$200,000 | 151,577 | 0.06 | 5.625% 1/2/2023 | \$41,000 | 31,207 | 0.01 |
| Jacobs | | | | Level 3 Financing | | | |
| Entertainment | | | | 6.125% 15/1/2021 | \$131,000 | 99,835 | 0.04 |
| 7.875% 1/2/2024 | \$642,000 | 507,568 | 0.20 | | | | |

Portfolio statement

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As at 31 January 2019

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|---------------------|---|---------------------|-----------------------------|------------------------|---|---------------------|-----------------------------|
| Lincoln Finance | | | | Morocco | | | |
| 7.375% 15/4/2021 | \$350,000 | 270,133 | 0.11 | (Government of) | | | |
| Lloyds Banking | | | | 5.5% 11/12/2042 | \$600,000 | 476,322 | 0.19 |
| Group 7.5% variable | | | | Mountain Province | | | |
| perpetual | \$400,000 | 308,670 | 0.12 | Diamonds 8% | | | |
| Matador Resources | | | | 15/12/2022 | \$494,000 | 376,476 | 0.15 |
| 5.875% 15/9/2026 | \$212,000 | 161,210 | 0.06 | MPH Acquisition | | | |
| Mattamy Group | | | | 7.125% 1/6/2024 | \$410,000 | 309,499 | 0.12 |
| 6.5% 1/10/2025 | \$161,000 | 113,518 | 0.05 | MPT Operating | | | |
| Mattamy Group | | | | 6.375% 1/3/2024 | \$315,000 | 250,836 | 0.10 |
| 6.875% 15/12/2023 | \$404,000 | 297,138 | 0.12 | Nationstar Mortgage | | | |
| MEDNAX | | | | Holdings 8.125% | | | |
| 6.25% 15/1/2027 | \$637,000 | 487,877 | 0.19 | 15/7/2023 | \$272,000 | 209,296 | 0.08 |
| Mexico | | | | Navient 5% | | | |
| (Government of) | | | | 26/10/2020 | \$116,000 | 88,513 | 0.04 |
| 3.75% 11/1/2028 | \$420,000 | 304,276 | 0.12 | Navient 7.25% | | | |
| Mexico | | | | 25/9/2023 | \$210,000 | 162,435 | 0.06 |
| (Government of) | | | | Navistar International | | | |
| 4.125% 21/1/2026 | \$1,000,000 | 755,141 | 0.30 | 6.625% 1/11/2025 | \$360,000 | 273,671 | 0.11 |
| Mexico | | | | New Gold 6.25% | | | |
| (Government of) | | | | 15/11/2022 | \$557,000 | 390,613 | 0.16 |
| 4.15% 28/03/2027 | \$2,265,000 | 1,687,407 | 0.67 | New Gold 6.375% | | | |
| Mexico | | | | 15/5/2025 | \$296,000 | 189,578 | 0.08 |
| (Government of) | | | | Nigeria | | | |
| 4.5% 22/4/2029 | \$400,000 | 304,968 | 0.12 | (Republic of) | | | |
| MGM Growth | | | | 6.5% 28/11/2027 | \$775,000 | 562,876 | 0.22 |
| Properties 5.75% | | | | Nigeria | | | |
| 1/2/2027 | \$252,000 | 193,217 | 0.08 | (Republic of) | | | |
| MGM Resorts | | | | 7.696% 23/2/2038 | \$200,000 | 145,958 | 0.06 |
| International | | | | Nova Chemicals | | | |
| 5.75% 15/6/2025 | \$425,000 | 324,699 | 0.13 | 4.875% 1/6/2024 | \$360,000 | 259,987 | 0.10 |
| MGM Resorts | | | | Nova Chemicals | | | |
| International | | | | 5% 1/5/2025 | \$124,000 | 87,077 | 0.03 |
| 6.75% 1/10/2020 | \$275,000 | 217,939 | 0.09 | Nova Chemicals | | | |
| MMC Finance | | | | 5.25% 1/8/2023 | \$250,000 | 184,783 | 0.07 |
| 4.1% 11/4/2023 | \$200,000 | 148,001 | 0.06 | Nova Chemicals | | | |
| Mongolia | | | | 5.25% 1/6/2027 | \$64,000 | 44,395 | 0.02 |
| (Government of) | | | | Oman | | | |
| 5.125% 5/12/2022 | \$200,000 | 147,845 | 0.06 | (Government of) | | | |
| | | | | 4.75% 15/6/2026 | \$1,350,000 | 913,376 | 0.36 |

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|---|---------------------|-----------------------------|---|--|-----------------------------|-----------|------|
| Oman (Government of) 5.375% 8/3/2027 | \$907,000 | 623,325 | 0.25 | Petroleos de Venezuela 6% 16/5/2024 | \$800,000 | 149,607 | 0.06 |
| Oman (Government of) 5.625% 17/1/2028 | \$200,000 | 138,290 | 0.06 | Petroleos de Venezuela 6% 15/11/2026 | \$500,000 | 83,622 | 0.03 |
| Oman (Government of) 6.75% 17/1/2048 | \$200,000 | 129,547 | 0.05 | Petroleos Mexicanos 4.5% 23/1/2026 | \$100,000 | 66,897 | 0.03 |
| ONGC Videsh Ltd 4.625% 15/7/2024 | \$550,000 | 423,563 | 0.17 | Petroleos Mexicanos 5.35% 12/2/2028 | \$2,730,000 | 1,863,029 | 0.74 |
| Orient Uruguay (Republica) 5.1% 18/6/2050 | \$45,000 | 35,385 | 0.01 | Petroleos Mexicanos 6.35% 12/2/2048 | \$156,000 | 99,721 | 0.04 |
| Panama (Republic of) 4.5% 16/4/2050 | \$500,000 | 379,141 | 0.15 | Petroleos Mexicanos 6.5% 13/3/2027 | \$400,000 | 291,763 | 0.12 |
| Panama (Republic of) 6.7% 26/1/2036 | \$510,000 | 489,454 | 0.19 | Petroleos Mexicanos 6.5% 23/1/2029 | \$576,000 | 414,228 | 0.16 |
| Park Aerospace Holdings 4.5% 15/3/2023 | \$25,000 | 18,649 | 0.01 | Petroleos Mexicanos 6.75% 21/9/2047 | \$140,000 | 92,752 | 0.04 |
| Park Aerospace Holdings 5.25% 15/8/2022 | \$69,000 | 53,256 | 0.02 | Pfizer FRN 15/9/2023 | \$667,000 | 500,436 | 0.20 |
| Park Aerospace Holdings 5.5% 15/2/2024 | \$783,000 | 604,162 | 0.24 | Philippines (Republic of) 3.75% 14/1/2029 | \$300,000 | 230,676 | 0.09 |
| Parsley Energy 5.25% 15/8/2025 | \$375,000 | 282,223 | 0.11 | Phosagro Bond Funding 3.949% 24/4/2023 | \$370,000 | 270,494 | 0.11 |
| Party City Holdings 6.625% 1/8/2026 | \$358,000 | 264,666 | 0.11 | Pilgrim's Pride 5.75% 15/3/2025 | \$327,000 | 243,612 | 0.10 |
| PBF Holding 7% 15/11/2023 | \$1,000,000 | 761,869 | 0.30 | Pilgrim's Pride 5.875% 30/9/2027 | \$433,000 | 317,644 | 0.13 |
| PBF Logistics 6.875% 15/5/2023 | \$570,000 | 440,895 | 0.18 | Pisces Midco 8% 15/4/2026 | \$570,000 | 410,021 | 0.16 |
| Pertamina 6.5% 7/11/2048 | \$460,000 | 390,216 | 0.16 | Plains All American 6.125% variable perpetual 31/12/2199 | \$483,000 | 329,080 | 0.13 |
| Peru (Republic of) 6.55% 14/3/2037 | \$452,000 | 447,550 | 0.18 | Plastipak Holdings 6.25% 15/10/2025 | \$588,000 | 403,413 | 0.16 |
| Peru LNC 5.375% 22/3/2030 | \$230,000 | 176,643 | 0.07 | Polaris Intermediate 8.5% 1/12/2022 | \$532,000 | 388,247 | 0.15 |

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|----------------------|---|---------------------|-----------------------------|---------------------|---|---------------------|-----------------------------|
| PPL Capital Funding | | | | Saudi Arabia | | | |
| 6.7% variable | | | | (Government of) | | | |
| 30/3/2067 | \$475,000 | 326,367 | 0.13 | 4.375% 16/4/2029 | \$360,000 | 278,679 | 0.11 |
| Prestige Brands | | | | Scientific Games | | | |
| 5.375% 15/12/2021 | \$225,000 | 170,957 | 0.07 | International | | | |
| QBE Insurance | | | | 10% 1/12/2022 | \$383,000 | 306,077 | 0.12 |
| 5.25% variable | | | | Select Medical | | | |
| perpetual | \$280,000 | 191,716 | 0.08 | 6.375% 1/6/2021 | \$1,006,000 | 768,581 | 0.31 |
| Reliance Industries | | | | SemGroup | | | |
| 4.125% 28/1/2025 | \$250,000 | 189,603 | 0.08 | 7.25% 15/3/2026 | \$326,000 | 238,531 | 0.09 |
| Rayonier AM Products | | | | Seminole Hard Rock | | | |
| 5.5% 1/6/2024 | \$393,000 | 269,628 | 0.11 | Entertainment | | | |
| Reynolds Group | | | | 5.875% 15/5/2021 | \$668,000 | 515,391 | 0.21 |
| 5.75% 15/10/2020 | \$352,000 | 259,323 | 0.10 | Senegal | | | |
| Reynolds Group | | | | (Republic of) | | | |
| 6.875% 15/2/2021 | \$335,000 | 88,582 | 0.04 | 6.25% 23/5/2033 | \$200,000 | 139,891 | 0.06 |
| Reynolds Group | | | | Senegal | | | |
| 7% 15/7/2024 | \$179,000 | 139,137 | 0.06 | (Republic of) | | | |
| Romania | | | | 6.75% 13/3/2048 | \$220,000 | 148,722 | 0.06 |
| (Government of) | | | | Senegal | | | |
| 5.125% 15/6/2048 | \$10,000 | 7,488 | - | (Republic of) | | | |
| Romania | | | | 8.75% 13/5/2021 | \$200,000 | 164,126 | 0.07 |
| (Government of) | | | | Serbia | | | |
| 6.125% 22/1/2044 | \$558,000 | 472,123 | 0.19 | (Government of) | | | |
| Rose Rock Midstream | | | | 7.25% 28/9/2021 | \$300,000 | 247,747 | 0.10 |
| 5.625% 15/11/2023 | \$750,000 | 530,237 | 0.21 | Service Corporation | | | |
| Royal Bank of | | | | International | | | |
| Scotland 8% | | | | 5.375% 15/1/2022 | \$100,000 | 76,590 | 0.03 |
| variable perpetual | \$200,000 | 159,915 | 0.06 | SFR 7.375% | | | |
| Royal Bank of | | | | 1/5/2026 | \$543,000 | 397,819 | 0.16 |
| Scotland 8.625% | | | | Shelf Drilling | | | |
| variable perpetual | \$475,000 | 383,084 | 0.15 | Holdings Ltd | | | |
| Russian Federation | | | | 8.25% 15/2/2025 | \$356,000 | 245,597 | 0.10 |
| 4.25% 23/6/2027 | \$200,000 | 148,606 | 0.06 | Silversea Cruise | | | |
| Russian Federation | | | | Finance 7.25% | | | |
| 4.75% 27/5/2026 | \$2,000,000 | 1,548,367 | 0.62 | 1/2/2025 | \$981,000 | 797,955 | 0.32 |
| Sanchez Energy | | | | Sinopec Group | | | |
| 7.25% 15/2/2023 | \$321,000 | 205,589 | 0.08 | 3.25% 13/9/2027 | \$400,000 | 289,590 | 0.12 |
| Saudi Arabia | | | | Sirius XM Radio | | | |
| (Government of) | | | | 5.375% 15/4/2025 | \$53,000 | 40,794 | 0.02 |
| 3.625% 4/3/2028 | \$300,000 | 220,282 | 0.09 | | | | |

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|-----------------------|---|---------------------|-----------------------------|----------------------|---|---------------------|-----------------------------|
| Sirius XM Radio | | | | Targa Resources | | | |
| 6% 15/7/2024 | \$450,000 | 355,344 | 0.14 | Partners 4.25% | | | |
| SoftBank Group | | | | 15/11/2023 | \$225,000 | 165,485 | 0.07 |
| 6.875% variable | | | | Targa Resources | | | |
| perpetual | \$655,000 | 430,708 | 0.17 | Partners 5.25% | | | |
| South Africa | | | | 1/5/2023 | \$12,000 | 9,157 | - |
| (Republic of) | | | | Targa Resources | | | |
| 4.3% 12/10/2028 | \$760,000 | 538,497 | 0.21 | Partners 5.375% | | | |
| South Africa | | | | 1/2/2027 | \$399,000 | 293,562 | 0.12 |
| (Republic of) | | | | Taylor Morrison | | | |
| 5.875% 16/9/2025 | \$550,000 | 438,491 | 0.17 | 5.875% 15/4/2023 | \$350,000 | 263,408 | 0.10 |
| Southern Peru | | | | Telenet Finance | | | |
| 6.75% 16/4/2040 | \$400,000 | 350,070 | 0.14 | Luxembourg | | | |
| SPARC EM SPC | | | | 5.5% 1/3/2028 | \$1,000,000 | 718,385 | 0.29 |
| Panama Metro Line | | | | Tempo Acquisition | | | |
| 0% 5/12/2022 | \$300,000 | 179,215 | 0.07 | 6.75% 1/6/2025 | \$751,000 | 563,771 | 0.22 |
| Springleaf Finance | | | | Tenet Healthcare | | | |
| 6.875% 15/3/2025 | \$403,000 | 292,956 | 0.12 | 4.5% 1/4/2021 | \$335,000 | 255,175 | 0.10 |
| Sprint Communications | | | | Tenet Healthcare | | | |
| 6% 15/11/2022 | \$450,000 | 345,937 | 0.14 | 4.75% 1/6/2020 | \$67,000 | 51,315 | 0.02 |
| Sprint 7.125% | | | | Tenet Healthcare | | | |
| 15/6/2024 | \$1,318,000 | 1,025,108 | 0.41 | 6% 1/10/2020 | \$189,000 | 148,390 | 0.06 |
| Sprint Nextel | | | | Tenet Healthcare | | | |
| 11.5% 15/11/2021 | \$331,000 | 291,885 | 0.12 | 6.25% 1/2/2027 | \$126,000 | 96,383 | 0.04 |
| Sri Lanka | | | | Tenet Healthcare | | | |
| (Republic of) | | | | 7.5% 1/1/2022 | \$80,000 | 63,187 | 0.03 |
| 5.75% 18/4/2023 | \$210,000 | 154,439 | 0.06 | Tenet Healthcare | | | |
| Sri Lanka | | | | 8.125% 1/4/2022 | \$825,000 | 656,168 | 0.26 |
| (Republic of) | | | | T-Mobile USA | | | |
| 5.875% 25/7/2022 | \$485,000 | 360,916 | 0.14 | 6.375% 1/3/2025 | \$293,000 | 231,090 | 0.09 |
| Sri Lanka | | | | T-Mobile USA | | | |
| (Republic of) | | | | 6.5% 15/1/2026 | \$342,000 | 274,936 | 0.11 |
| 6.825% 18/7/2026 | \$460,000 | 340,132 | 0.14 | Toll Bros Finance | | | |
| SSE 4.75% variable | | | | 4.875% 15/11/2025 | \$145,000 | 107,748 | 0.04 |
| 16/9/2077 | \$700,000 | 504,306 | 0.20 | Trinseo Materials | | | |
| State Grid Overseas | | | | Operating 5.375% | | | |
| 3.50% 4/5/2027 | \$1,075,000 | 799,217 | 0.32 | 1/9/2025 | \$200,000 | 137,641 | 0.05 |
| Surgery Center | | | | Tronox 6.5% | | | |
| Holdings 8.875% | | | | 15/4/2026 | \$465,000 | 309,305 | 0.12 |
| 15/4/2021 | \$250,000 | 193,850 | 0.08 | Turkey (Republic of) | | | |
| | | | | 5.125% 17/2/2028 | \$900,000 | 617,777 | 0.25 |

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|----------------------|---|---------------------|-----------------------------|--------------------------|---|---------------------|-----------------------------|
| Turkey (Republic of) | | | | Venezuela | | | |
| 5.75% 11/5/2047 | \$200,000 | 129,869 | 0.05 | (Republic of) | | | |
| Turkey (Republic of) | | | | 7.75% 13/10/2019 | \$250,000 | 57,490 | 0.02 |
| 6% 25/3/2027 | \$450,000 | 329,463 | 0.13 | Venezuela | | | |
| Turkey (Republic of) | | | | (Republic of) | | | |
| 6.125% 24/10/2028 | \$1,300,000 | 946,254 | 0.38 | 8.25% 13/10/2024 | \$338,900 | 80,046 | 0.03 |
| Turkey (Republic of) | | | | Venezuela | | | |
| 6.625% 17/2/2045 | \$725,000 | 522,207 | 0.21 | (Republic of) | | | |
| Turkey (Republic of) | | | | 9% 7/5/2023 | \$615,000 | 148,438 | 0.06 |
| 6.75% 30/5/2040 | \$100,000 | 73,468 | 0.03 | Venezuela | | | |
| Turkey (Republic of) | | | | (Republic of) | | | |
| 8% 14/2/2034 | \$75,000 | 61,801 | 0.02 | 9.25% 15/9/2027 | \$409,000 | 103,754 | 0.04 |
| Turkiye Is Bankasi | | | | Venezuela | | | |
| 6.125% 25/4/2024 | \$425,000 | 287,962 | 0.11 | (Republic of) | | | |
| UBS 7% variable | | | | 9.25% 7/5/2028 | \$760,000 | 181,991 | 0.07 |
| perpetual | \$600,000 | 481,204 | 0.19 | Viking Cruises | | | |
| UBS 7.125% variable | | | | 5.875% 15/9/2027 | \$986,000 | 732,688 | 0.29 |
| perpetual | \$100,000 | 77,445 | 0.03 | Virgin Media | | | |
| UBS Group Funding | | | | Secured Finance | | | |
| Switzerland 5% | | | | 5.25% 15/1/2026 | \$932,000 | 697,875 | 0.28 |
| variable perpetual | \$364,000 | 240,573 | 0.10 | VOC Escrow | | | |
| Ukraine | | | | 5% 15/2/2028 | \$51,000 | 37,704 | 0.01 |
| (Government of) | | | | Vodafone 6.25% | | | |
| 7.375% 25/9/2032 | \$255,000 | 164,985 | 0.07 | variable 3/10/2078 | \$645,000 | 467,722 | 0.19 |
| Ukraine | | | | Warrior Met Coal | | | |
| (Government of) | | | | 8.0% 1/11/2024 | \$849,000 | 647,020 | 0.26 |
| 7.75% 1/9/2027 | \$1,090,000 | 747,012 | 0.30 | Waste Pro | | | |
| United Rentals | | | | 5.5% 15/2/2026 | \$100,000 | 73,739 | 0.03 |
| North America | | | | William Lyon Homes | | | |
| 4.625% 15/7/2023 | \$353,000 | 271,449 | 0.11 | 6% 1/9/2023 | \$49,000 | 33,990 | 0.01 |
| United Rentals | | | | Wyndham Destinations | | | |
| North America | | | | 5.1% 1/10/2025 | \$412,000 | 312,418 | 0.12 |
| 6.5% 15/12/2026 | \$78,000 | 60,629 | 0.02 | Yapi Kredi Bank | | | |
| Unitymedia | | | | 5.85% 21/6/2024 | \$450,000 | 303,159 | 0.12 |
| 6.125% 15/1/2025 | \$438,000 | 344,203 | 0.14 | Zambia (Republic of) | | | |
| US Treasury Note | | | | 8.97% 30/7/2027 | \$200,000 | 125,128 | 0.05 |
| FRN 31/10/2019 | \$1,250,000 | 950,534 | 0.38 | Zayo Group | | | |
| Venezuela | | | | 6% 1/4/2023 | \$930,000 | 710,517 | 0.28 |
| (Republic of) | | | | | | | |
| 7.65% 21/4/2025 | \$275,000 | 65,852 | 0.03 | Total US dollar | | | |
| | | | | denominated bonds | | 101,657,813 | 40.49 |

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This section details all the different fixed interest securities/government stocks in which the Fund invests, by denomination currency. It also shows the number of securities held, the percentage each fixed interest security/government stock represents of the Fund as a whole and the value of those securities at the end of the fund accounting year (shown under bid value).

As at 31 January 2019

| HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 JANUARY 2019 | BID VALUE (£) | % OF NET TOTAL ASSETS | HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 JANUARY 2019 | BID VALUE (£) | % OF NET TOTAL ASSETS |
|---|---------------------|-----------------------------|---|---------------------|-----------------------------|
| FORWARD FOREIGN EXCHANGE CONTRACTS | | | | | |
| (1.78%; 31.01.18 2.70%) | | | | | |
| Sold euros | €2,700,000 | | Sold sterling | £200,000 | |
| For sterling | £2,413,076 | 57,042 | For US dollars | \$262,565 | (725) |
| (Expires 11/2/2019) | | 0.02 | (Expires 4/3/2019) | | - |
| Sold euros | €635,000 | | Sold Indonesian rupiah | IDR25,557,107,374 | |
| For sterling | £550,515 | (3,590) | For US dollars | \$1,665,501 | (122,476) |
| (Expires 11/2/2019) | | - | (Expires 20/3/2019) | | (0.05) |
| Sold euros | €190,000 | | Sold Indonesian rupiah | IDR4,460,984,000 | |
| For US dollars | \$218,514 | (51) | For US dollars | \$311,000 | (5,993) |
| (Expires 15/2/2019) | | - | (Expires 20/3/2019) | | - |
| Sold euros | €190,000 | | Sold Indonesian rupiah | IDR10,237,340,000 | |
| For US dollars | \$219,071 | (682) | For US dollars | \$721,956 | (7,495) |
| (Expires 15/5/2019) | | - | (Expires 20/3/2019) | | - |
| Sold sterling | £15,073 | | Sold Indonesian rupiah | IDR5,463,950,110 | |
| For euros | €17,000 | (239) | For US dollars | \$384,190 | (4,863) |
| (Expires 11/2/2019) | | - | (Expires 20/3/2019) | | - |
| Sold sterling | £589,501 | | Sold Mexican peso | MXN33,020,764 | |
| For US dollars | \$750,000 | (19,470) | For US dollars | \$1,595,172 | (96,879) |
| (Expires 4/2/2019) | | (0.01) | (Expires 20/3/2019) | | (0.04) |
| Sold sterling | £95,000 | | Sold Mexican peso | MXN7,245,454 | |
| For US dollars | \$120,842 | (3,155) | For US dollars | \$373,646 | (3,336) |
| (Expires 4/2/2019) | | - | (Expires 20/3/2019) | | - |
| Sold sterling | £15,000 | | Sold Mexican peso | MXN5,975,331 | |
| For US dollars | \$19,424 | (237) | For US dollars | \$312,329 | 420 |
| (Expires 4/2/2019) | | - | (Expires 20/3/2019) | | - |
| Sold sterling | £189,197 | | Sold US dollars | \$217,403 | |
| For US dollars | \$248,454 | (370) | For euros | €190,000 | 895 |
| (Expires 5/2/2019) | | - | (Expires 15/2/2019) | | - |
| Sold sterling | £141,407 | | Sold US dollars | \$61,000,000 | |
| For US dollars | \$185,000 | (856) | For sterling | £48,163,243 | 1,800,720 |
| (Expires 12/2/2019) | | - | (Expires 4/2/2019) | | 0.72 |
| Sold sterling | £100,000 | | | | |
| For US dollars | \$131,384 | (285) | | | |
| (Expires 4/3/2019) | | - | | | |

Portfolio statement

This section details all the different fixed interest securities/government stocks in which the Fund invests, by denomination currency. It also shows the number of securities held, the percentage each fixed interest security/government stock represents of the Fund as a whole and the value of those securities at the end of the fund accounting year (shown under bid value).

As at 31 January 2019

| | HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 JANUARY 2019 | BID VALUE (£) | % OF NET TOTAL ASSETS | | HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 JANUARY 2019 | BID VALUE (£) | % OF NET TOTAL ASSETS |
|---|---|---------------------|-----------------------------|---|---|---------------------|-----------------------------|
| Sold US dollars | \$78,278,551 | | | FUTURES | | | |
| For sterling (Expires 4/2/2019) | £61,810,000 | 2,315,063 | 0.92 | ((0.06%); 31.01.18 0.08%) | | | |
| Sold US dollars | \$3,250,000 | | | CBT US 10Year Note Future March 2019 | (10) | (26,488) | (0.01) |
| For sterling (Expires 12/2/2019) | £2,544,368 | 75,239 | 0.03 | CBT US 10Year Ultra Future March 2019 | (8) | (28,840) | (0.01) |
| Sold US dollars | \$703,000 | | | CBT US Long Bond Future March 2019 | (5) | (7,246) | - |
| For sterling (Expires 12/2/2019) | £537,268 | 3,177 | - | EUX Euro Bobl Future March 2019 | (17) | (6,664) | - |
| Sold US dollars | \$250,000 | | | EUX Euro Bund Future March 2019 | (11) | (24,642) | (0.01) |
| For sterling (Expires 12/2/2019) | £190,306 | 373 | - | EUX Euro Buxl 30Year Bond Future March 2019 | (4) | (23,866) | (0.01) |
| Sold US dollars | \$61,000,000 | | | ICF ICE Long Gilt Future March 2019 | (42) | (48,100) | (0.02) |
| For sterling (Expires 4/3/2019) | £46,414,926 | 118,700 | 0.05 | Total futures contracts | | (165,846) | (0.06) |
| Sold US dollars | \$80,217,671 | | | | | | |
| For sterling (Expires 4/3/2019) | £61,120,000 | 238,435 | 0.09 | Portfolio of investments | | 243,342,336 | 96.92 |
| Sold US dollars | \$1,150,000 | | | Net other assets | | 7,765,907 | 3.08 |
| For Indonesian rupiah (Expires 20/3/2019) | IDR17,389,610,299 | 70,626 | 0.03 | Net assets | | 251,108,243 | 100.00 |
| Sold US dollars | \$580,000 | | | | | | |
| For Indonesian rupiah (Expires 20/3/2019) | IDR8,764,902,000 | 35,321 | 0.01 | *Related parties | | | |
| Sold US dollars | \$601,912 | | | The securities held are approved and are admitted to an official listing unless otherwise specified. | | | |
| For Mexican peso (Expires 20/3/2019) | MXN12,130,055 | 23,507 | 0.01 | | | | |
| Sold US dollars | \$553,173 | | | | | | |
| For Mexican peso (Expires 20/3/2019) | MXN10,808,831 | 8,190 | - | | | | |
| Total forward foreign exchange contracts | | 4,477,006 | 1.78 | | | | |

Portfolio statement

This section details all the different fixed interest securities/government stocks in which the Fund invests, by denomination currency. It also shows the number of securities held, the percentage each fixed interest security/government stock represents of the Fund as a whole and the value of those securities at the end of the fund accounting year (shown under bid value).

As at 31 January 2019

BOND CREDIT RATINGS†

| | AS AT 31.01.19 | AS AT 31.01.18 |
|---------|-------------------|-------------------|
| AAA | 7.14% | 6.53% |
| AA+ | 0.38% | 1.93% |
| AA | 7.26% | 5.98% |
| AA- | 0.62% | 1.17% |
| A+ | 2.49% | 3.79% |
| A | 4.50% | 5.58% |
| A- | 7.19% | 6.81% |
| BBB+ | 10.97% | 12.16% |
| BBB | 12.69% | 10.94% |
| BBB- | 6.67% | 7.56% |
| BB+ | 1.96% | 4.27% |
| BB | 5.49% | 4.86% |
| BB- | 5.15% | 5.28% |
| B+ | 2.97% | 4.46% |
| B | 6.23% | 4.66% |
| B- | 3.79% | 3.63% |
| CCC+ | 1.99% | 2.13% |
| CCC | 0.22% | 0.12% |
| CC | - | 0.10% |
| D | 0.35% | 0.22% |
| Unrated | 7.14% | 2.53% |

†Source: Standard and Poor's and Moody's

Net asset value per unit and comparative table

This section details in concise figures how the Fund has performed, in terms of the size of the Fund, the price of units and the income distributions made.

INCOME

| Change in net assets per unit | 31.01.19 | 31.01.18 | 31.01.17 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Opening net asset value per unit | 114.71p | 113.97p | 109.18p |
| Return before operating charges* | (0.55p) | 6.56p | 10.80p |
| Operating charges** | (1.02p) | (1.08p) | (1.15p) |
| Return after operating charges* | (1.57p) | 5.48p | 9.65p |
| Distributions on income unit | (4.83p) | (4.74p) | (4.86p) |
| Closing net asset value per unit | 108.31p | 114.71p | 113.97p |

*after direct transaction costs of:***

| | | | |
|--|-------|-------|-------|
| | 0.00p | 0.00p | 0.00p |
|--|-------|-------|-------|

Performance

| | | | |
|----------------------|---------|-------|-------|
| Return after charges | (1.37%) | 4.81% | 8.84% |
|----------------------|---------|-------|-------|

Other information

| | | | |
|--------------------------|-------------|--------------|--------------|
| Closing net asset value | 149,939,856 | £164,173,841 | £164,884,032 |
| Closing number of units | 138,435,833 | 143,123,104 | 144,673,588 |
| Operating charges | 0.92% | 0.92% | 1.00% |
| Direct transaction costs | 0.00% | 0.00% | 0.00% |

Prices

| | | | |
|--------------------|---------|---------|---------|
| Highest unit price | 115.20p | 118.60p | 121.60p |
| Lowest unit price | 106.20p | 111.80p | 107.70p |

** The operating charges include all costs borne by the Trust, except for direct transaction costs. It includes the operating charges of any collective investment schemes in which the Trust invests.

*** The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

Net asset value per unit and comparative table

This section details in concise figures how the Fund has performed, in terms of the size of the Fund, the price of units and the accumulation distributions made.

ACCUMULATION

| Change in net assets per unit | 31.01.19 | 31.01.18 | 31.01.17 |
|---|-----------------|-----------------|-----------------|
| Opening net asset value per unit | 261.03p | 249.04p | 230.73p |
| Return before operating charges* | (1.22p) | 14.39p | 22.85p |
| Operating charges** | (2.36p) | (2.40p) | (2.46p) |
| Return after operating charges* | (3.58p) | 11.99p | 20.39p |
| Distributions on accumulation unit | (11.16p) | (10.53p) | (10.40p) |
| Retained distributions on accumulation unit | 11.16p | 10.53p | 8.32p |
| Closing net asset value per unit | 257.45p | 261.03p | 249.04p |

*after direct transaction costs of:***

| | | | |
|--|-------|-------|-------|
| | 0.00p | 0.00p | 0.00p |
|--|-------|-------|-------|

Performance

| | | | |
|----------------------|---------|-------|-------|
| Return after charges | (1.37%) | 4.81% | 8.84% |
|----------------------|---------|-------|-------|

Other information

| | | | |
|--------------------------|-------------|--------------|--------------|
| Closing net asset value | 101,168,387 | £111,615,828 | £112,753,062 |
| Closing number of units | 39,295,915 | 42,759,197 | 45,274,947 |
| Operating charges | 0.92% | 0.92% | 1.00% |
| Direct transaction costs | 0.00% | 0.00% | 0.00% |

Prices

| | | | |
|--------------------|---------|---------|---------|
| Highest unit price | 262.40p | 264.60p | 261.30p |
| Lowest unit price | 249.80p | 244.20p | 227.50p |

** The operating charges include all costs borne by the Trust, except for direct transaction costs. It includes the operating charges of any collective investment schemes in which the Trust invests.

*** The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

Ongoing charges

For the 12 month period to 31 January 2019:

0.92%

For the 12 month period to 31 January 2018:

0.92%

The ongoing charges measure the annual charges and expenses of an investment fund. These will affect the returns to the investor. Most European investment funds highlight the ongoing charges to help you compare the annual charges and expenses of different funds.

Ex-distribution (XD) dates:

1 February, 1 May, 1 August and 1 November

Income payment dates:

31 March, 30 June, 30 September and 31 December

Risk and reward profile

Lower risk

Higher risk



Typically lower rewards

Typically higher rewards

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

More about this rating

The rating is based on price volatility over the last five years. As it is based on historical data, it may not be a reliable indicator of the future risk profile of the Fund. The rating is not guaranteed and may change over time. The lowest rating does not mean a risk-free investment.

Why is this Fund in category 3?

Bonds have greater risk than money market instruments (as they tend to have greater credit and interest rate risk), but less risk than shares.

Authorised status

The Fund is an authorised unit trust under Section 243 of the Financial Services and Markets Act 2000 (authorisation orders) and the Financial Conduct Authority Handbook and is categorised as an Undertakings for Collective Investment in Transferable Securities (UCITS) scheme.

Trustee report

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of the Marks & Spencer High Income Fund ('the Trust') for the Period Ended 31 January 2019.

The Depositary in its capacity as Trustee of the Marks & Spencer High Income Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed 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 interests of the Trust and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits
- the Trust'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 a duty to take reasonable care to ensure that Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

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

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

State Street Trustees Limited
10 April 2019

Statement of the Manager's responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Trust and of the net income and net capital gains on the property of the Trust for the period.

In preparing the financial statements the Manager is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, the Prospectus and the COLL Rules.

Certification of financial statements by Directors of the Manager

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



Paul Spencer (Interim Chief Executive)



Phillip Scott (Director)

For and on behalf of Marks and Spencer Unit Trust Management Limited.

10 April 2019

Independent auditor's report

Independent auditor's report to the unitholders of the Marks & Spencer High Income Fund ('the Trust')

Opinion

We have audited the financial statements of the Trust for the year ended 31 January 2019 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables and the accounting policies set out on page 35.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Trust as at 31 January 2019 and of the net revenue and the net capital losses on the property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Trust's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Trust or to cease their operations, and as they have concluded that the Trust's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Manager's conclusions, we considered the inherent risks to the Trust's business model, including the impact of Brexit,

and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

Other information

The Manager is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Manager's Report for the financial year 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 under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records.

Manager's responsibilities

As explained more fully in their statement set out on page 29, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

10 April 2019

Statement of total return

This section details the income of the Fund over the period of the report and explains how this income is distributed to the investors. It also provides an analysis of increases and decreases in net assets over the accounting year.

For the year ended 31 January 2019

| | Notes | 31.01.19 | | 31.01.18 | |
|---|-------|------------------|----------------------------|------------------|--------------------------|
| | | £ | £ | £ | £ |
| Income | | | | | |
| Net capital (losses)/gains | 2 | | (13,010,678) | | 4,405,422 |
| Revenue | 3 | 11,530,152 | | 11,526,915 | |
| Expenses | 4 | (2,410,231) | | (2,618,533) | |
| Interest payable and similar charges | | (3,016) | | (7,170) | |
| Net revenue before taxation | | <u>9,116,905</u> | | <u>8,901,212</u> | |
| Taxation | 5 | <u>(78,186)</u> | | <u>(26,856)</u> | |
| Net revenue after taxation | | | <u>9,038,719</u> | | <u>8,874,356</u> |
| Total return before distributions | | | <u>(3,971,959)</u> | | <u>13,279,778</u> |
| Distributions/Accumulations | 6 | | <u>(11,416,956)</u> | | <u>(11,492,907)</u> |
| Change in net assets attributable to Unitholders | | | <u>(15,388,915)</u> | | <u>1,786,871</u> |

Statement of change in net assets attributable to Unitholders

For the year ended 31 January 2019

| | 31.01.19 | | 31.01.18 | |
|---|---------------------|---------------------------|---------------------|---------------------------|
| | £ | £ | £ | £ |
| Opening net assets attributable to Unitholders | | 275,789,670 | | 277,637,094 |
| Amounts receivable on issue of units | 3,316,207 | | 11,862,644 | |
| Less: Amounts payable on cancellation of units | <u>(17,178,868)</u> | | <u>(20,106,753)</u> | |
| | | (13,862,661) | | (8,244,109) |
| Change in net assets attributable to Unitholders from investment activities (see above) | | (15,388,915) | | 1,786,871 |
| Retained distribution on accumulation units | | 4,553,790 | | 4,609,814 |
| Unclaimed distributions over 6 years old | | <u>16,359</u> | | <u>-</u> |
| Change in net assets attributable to Unitholders | | <u>251,108,243</u> | | <u>275,789,670</u> |

The notes on pages 35 to 46 are an integral part of these financial statements.

Balance sheet

As at 31 January 2019

| | Notes | 31.01.19 | | 31.01.18 | |
|---|-------|-------------|---------------------------|-------------|---------------------------|
| | | £ | £ | £ | £ |
| ASSETS | | | | | |
| Fixed assets: | | | | | |
| Investments | | | 243,778,884 | | 270,211,260 |
| Current assets: | | | | | |
| Debtors | 8 | 4,122,321 | | 5,459,726 | |
| Cash and bank balances | 9 | 7,013,799 | | 4,783,340 | |
| Total current assets | | | <u>11,136,120</u> | | <u>10,243,066</u> |
| TOTAL ASSETS | | | 254,915,004 | | 280,454,326 |
| LIABILITIES | | | | | |
| Investment liabilities | | | | | |
| | | (436,548) | | (75,053) | |
| Creditors: | | | | | |
| Distribution payable | | (1,635,342) | | (1,600,403) | |
| Other creditors | 10 | (1,734,871) | | (2,989,200) | |
| TOTAL LIABILITIES | | | <u>(3,806,761)</u> | | <u>(4,664,656)</u> |
| Net assets attributable to Unitholders | | | <u>251,108,243</u> | | <u>275,789,670</u> |

The notes on pages 35 to 46 are an integral part of these financial statements.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

As at 31 January 2019

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 compliance with FRS102 and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association in May 2014 (and amended in June 2017). Unless otherwise stated all accounting policies are consistent with those of the prior year.

(b) Recognition of revenue

Interest and revenue from fixed interest stock is recognised on an effective yield basis.

Revenue from quoted equities is recognised net of attributable tax credits when the security is quoted ex-dividend.

Interest from bank deposits is recognised on an accrual basis. All other revenue is recognised on a receipts basis.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

The ordinary element of stock dividends is treated as revenue and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

(c) Treatment of expenses

Expenses, relating to the purchase and sale of investments are charged to capital when incurred.

All other expenses (other than the Manager's periodic fee) incurred by the fund have been borne by the Manager.

For purposes of calculating the distribution, the Manager's periodic charge is transferred to capital.

(d) Distribution policy

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable in calculating the distribution.

For the purposes of calculating the distribution, revenue on debt securities is computed on an effective yield basis.

All remaining revenue is distributed in accordance with the Collective Investment Schemes Sourcebook.

Distributions which have remained unclaimed by Unitholders for over six years are credited to the capital property of the Fund.

(e) Basis of valuation of investments

The investments, including derivatives, are valued at bid market value, excluding any accrued revenue, at 5pm on 31 January 2019, being the last working day of the accounting year.

Where values cannot be readily determined, the securities are valued at the Manager's best assessment of their value.

(f) Taxation

Provision is made for taxation at current rates on the excess of taxable investment revenue over expenses. Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(g) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 5pm on 31 January 2019, being the last working day of the accounting year.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

2. Net capital (losses)/gains on investments

The net capital (losses)/gains on investments during the year comprise:

| | 31.01.19 | 31.01.18 |
|--|-----------------------------------|--------------------------------|
| | £ | £ |
| Transaction charges | (520) | (4,687) |
| Currency gains/(losses) | 1,505,052 | (2,879,996) |
| Losses on non-derivative securities | (1,298,702) | (9,742,406) |
| (Losses)/gains on derivative contracts | (460,680) | 571,857 |
| (Losses)/gains on forward foreign exchange contracts | <u>(12,755,828)</u> | <u>16,460,654</u> |
| Net capital (losses)/gains on investments | <u><u>(13,010,678)</u></u> | <u><u>4,405,422</u></u> |

3. Revenue

| | 31.01.19 | 31.01.18 |
|---|---------------------------------|---------------------------------|
| | £ | £ |
| Interest on debt securities | 11,429,732 | 11,484,343 |
| Overseas dividends | 41,534 | 39,813 |
| Bank interest | 53,196 | 7,718 |
| Deposit interest | 1,557 | (4,819) |
| Net collateral interest on forward currency contracts | <u>4,133</u> | <u>(140)</u> |
| Total revenue | <u><u>11,530,152</u></u> | <u><u>11,526,915</u></u> |

4. Expenses

| | 31.01.19 | 31.01.18 |
|--|--------------------------------|--------------------------------|
| | £ | £ |
| Payable to the Manager, associates of the Manager, and agents of either of them: | | |
| Manager's periodic charge | <u><u>2,410,231</u></u> | <u><u>2,618,533</u></u> |

5. Taxation

| | 31.01.19 | 31.01.18 |
|--|-----------------------------|-----------------------------|
| | £ | £ |
| (a) Analysis of charge in year | | |
| Overseas tax | <u>78,186</u> | <u>26,856</u> |
| Total current tax charge for year (note 5b) | <u><u>78,186</u></u> | <u><u>26,856</u></u> |

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

| | 31.01.19 | 31.01.18 |
|--|-----------------------------|-----------------------------|
| | £ | £ |
| Net revenue before taxation | <u>9,116,904</u> | <u>8,901,212</u> |
| Corporation tax at 20% | 1,823,381 | 1,780,242 |
| Effects of: | | |
| Tax deductible interest distributions | (1,799,977) | (1,766,909) |
| Revenue not subject to taxation | (8,307) | (7,962) |
| Irrecoverable overseas tax | 78,186 | 26,856 |
| Tax relief on overseas tax suffered | <u>(15,097)</u> | <u>(5,371)</u> |
| Current tax charge for year (note 5a) | <u><u>78,186</u></u> | <u><u>26,856</u></u> |

(c) Provision for deferred taxation

At 31 January 2019 there is no potential deferred tax asset (31.01.18: same) in relation to surplus management expenses.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

6. Distributions

The distributions take account of amounts received on the issue of units and amounts deducted on the cancellation of units, and comprise:

| | 31.01.19 | 31.01.18 |
|---|--------------------------|--------------------------|
| | £ | £ |
| Interim interest distribution | 8,609,985 | 8,776,265 |
| Final interest distribution | <u>2,726,904</u> | <u>2,677,977</u> |
| | 11,336,889 | 11,454,242 |
| Income tax withheld on distributions/ accumulations | - | 48 |
| Add: Amount deducted on cancellation of units | 96,243 | 68,837 |
| Deduct: Income received on issue of units | <u>(16,176)</u> | <u>(30,220)</u> |
| Net distribution for the year | <u>11,416,956</u> | <u>11,492,907</u> |

7. Movement between net revenue and distributions

| | 31.01.19 | 31.01.18 |
|---|--------------------------|--------------------------|
| | £ | £ |
| Net revenue after taxation | 9,038,718 | 8,874,356 |
| Movement in net income property | (31,993) | 18 |
| Management charges transferred to capital account | <u>2,410,231</u> | <u>2,618,533</u> |
| Net distribution | <u>11,416,956</u> | <u>11,492,907</u> |

8. Debtors

| | 31.01.19 | 31.01.18 |
|---------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Amounts receivable for issue of units | - | 66,514 |
| Sales awaiting settlement | 421,997 | 1,523,853 |
| Accrued revenue | <u>3,700,324</u> | <u>3,869,359</u> |
| Total debtors | <u>4,122,321</u> | <u>5,459,726</u> |

9. Cash and bank balances

| | 31.01.19 | 31.01.18 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Cash and bank balances | 6,652,989 | 6,140,664 |
| Amounts held at derivative clearing houses and brokers | 360,810 | (1,357,324) |
| Total cash and bank balances | <u>7,013,799</u> | <u>4,783,340</u> |

10. Creditors

| | 31.01.19 | 31.01.18 |
|---|-------------------------|-------------------------|
| | £ | £ |
| Amounts payable for cancellation of units | 67,614 | 79,116 |
| Purchases awaiting settlement | 1,471,925 | 2,691,412 |
| Accrued expenses | <u>195,332</u> | <u>218,672</u> |
| Total creditors | <u>1,734,871</u> | <u>2,989,200</u> |

11. Reconciliation of units

| | Income | Accumulation |
|----------------------------------|---------------------------|--------------------------|
| Opening units issued at 01.02.18 | 143,123,104 | 42,759,197 |
| Units issued | 3,133,891 | 416,936 |
| Units cancelled | <u>(7,821,162)</u> | <u>(3,880,218)</u> |
| Closing units at 31.01.19 | <u>138,435,833</u> | <u>39,295,915</u> |

12. Equalisation

This applies only to units purchased during the distribution period (Group 2 units). It is the average amount of income included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital. Being capital it is not liable to Income tax but must be deducted from the cost of units for capital gains tax purposes.

13. Contingent liabilities and outstanding commitments

There were no contingent liabilities & outstanding commitments at the balance sheet date (31.01.18: no contingent liabilities and outstanding commitments).

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

14. Risk in relation to financial instruments

In accordance with its investment objectives and policies, the Fund holds certain financial instruments.

These comprise:

- Securities held in accordance with the investment objectives and policies;
- Cash and short-term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors' monies which are invested on their behalf.

The Fund does not trade in financial instruments to make short-term speculative gains.

The Marks & Spencer High Income Fund aims to provide a high level of income.

The Manager may use derivative transactions for the purposes of efficient portfolio management (EPM). Permitted transactions include derivatives transactions (involving options, futures and contracts for differences) or forward transactions in a currency.

Overall responsibility for the Marks and Spencer Unit Trust Funds rests with the Board of Directors of Marks and Spencer Unit Trust Management Limited (M&SUTM), part of the HSBC Group. The performance of the Fund, and the individual investment managers to the Fund, is monitored by the M&SUTM Business Committee on a monthly basis. This Committee reports any findings or recommendations to the Board of Directors. HSBC Global Asset Management, as the overall investment manager to the Fund, also provides its own separate performance analysis to the Board of Directors on a quarterly basis. The accountability for Fund performance and the selection or de-selection of investment managers sits with the Board of Directors. They are responsible for ensuring that the Fund is managed in accordance with the Fund's investment objective, policy and risk profile

The main risks arising from the Fund's financial instruments are market price risk, foreign currency risk, interest rate risk, liquidity risk and credit/counterparty risk. The Manager has policies for managing each of these risks and these are summarised below. These policies have remained unchanged for the current and prior year.

Market price risk

The Fund's investment portfolio is exposed to market price fluctuations. As most of the Fund is invested in bonds on the stock market, such price movements can significantly affect the Fund value.

The risk is reduced by having a wide spread of investments in the Fund, as shown in the Portfolio Statement in this report. In addition, we ensure that the Fund complies with the investment guidelines and investment and borrowing powers set out in the Trust Deed and the Prospectus. This is done through daily checks and quarterly reviews.

Bonds issued by more financially sound companies offer lower interest rates (these are often referred to as 'investment grade bonds'). On the other hand, bonds issued by less financially sound companies need to pay higher interest rates to attract investors and involve more risk to capital ('non investment grade bonds'). The Fund may invest in both types of bond. The Fund may include bonds issued overseas, therefore the value of your investment may rise or fall due to the movement in foreign exchange rates.

An element of overseas investment may be in emerging markets which is usually considered to carry greater risks than investments in established overseas markets.

As charges are taken from capital, this may limit the potential for capital growth and there could be periods of time when these charges will be greater than the growth of the Fund.

If market prices had increased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £24,334,234 (31.01.18: £27,013,621). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £24,334,234 (31.01.18: £27,013,621). These calculations assume all other variables remain constant.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Fund invests in international bonds and their sterling value can be significantly affected by movements in foreign exchange rates.

Revenue received in other currencies is converted to Sterling on the date of receipt.

The Manager may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies.

Forward foreign exchange contracts are used by the Fund to reduce exposure to its investments in international bonds to foreign currency risk.

Net currency monetary/non-monetary assets and liabilities consist of:

| | Portfolio of investments | | Net current assets/(liabilities) | | Net assets | |
|-------------------|---------------------------|---------------------------|----------------------------------|-------------------------|---------------------------|---------------------------|
| | 31.01.19 | 31.01.18 | 31.01.19 | 31.01.18 | 31.01.19 | 31.01.18 |
| | £ | £ | £ | £ | £ | £ |
| Sterling | 136,800,065 | 141,611,057 | 1,586,640 | (116,680,976) | 138,386,705 | 24,930,081 |
| Euro | 3,080,027 | 3,323,643 | (47,253) | (64,175) | 3,032,774 | 3,259,468 |
| Indonesian rupiah | 1,036,461 | - | 23,028 | - | 1,059,489 | - |
| Mexican peso | 830,124 | 468,586 | 10,449 | 4,965 | 840,573 | 473,551 |
| Turkish lira | - | - | - | 62 | - | 62 |
| US dollar | 101,595,659 | 124,732,921 | 6,193,043 | 122,393,587 | 107,788,702 | 247,126,508 |
| Total | <u>243,342,336</u> | <u>270,136,207</u> | <u>7,765,907</u> | <u>5,653,463</u> | <u>251,108,243</u> | <u>275,789,670</u> |

If sterling to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £11,272,154 (31.01.18: £25,085,959). If sterling to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £11,272,154 (31.01.18: £25,085,959).

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates.

The Fund invests in UK and international bonds, the value of which will be influenced by movements in interest rates and future expectations.

Cash balances are held with HSBC Bank plc and interest is earned at a rate linked to the UK base rate, or international equivalent.

The tables below detail the interest rate profile of the Fund's assets as at the year end date.

The tables below detail the interest rate profile of the Fund's assets as at the year end date.

| Portfolio | Floating Rate* | | Fixed Rate | |
|-------------------|-------------------|-------------------|--------------------|--------------------|
| | 31.01.19 | 31.01.18 | 31.01.19 | 31.01.18 |
| | £ | £ | £ | £ |
| Sterling | 12,917,563 | 12,427,703 | 119,347,191 | 129,153,140 |
| Euro | 791,662 | 1,061,102 | 2,346,964 | 2,147,791 |
| Indonesian rupiah | - | - | 1,071,340 | - |
| Mexican peso | - | - | 898,643 | 475,086 |
| US dollar | 10,366,176 | 9,007,491 | 91,291,637 | 106,942,857 |
| Cash at bank | 7,013,799 | 4,783,340 | - | - |
| Other Assets | - | - | - | - |
| Liabilities | - | - | - | - |
| Total | 31,089,200 | 27,279,636 | 214,955,775 | 238,718,874 |

*Floating rate interest was earned at rates based on LIBOR, or international equivalent.

| Portfolio | None | | Total | |
|-------------------|------------------|------------------|--------------------|--------------------|
| | 31.01.19 | 31.01.18 | 31.01.19 | 31.01.18 |
| | £ | £ | £ | £ |
| Sterling | 4,535,311 | 30,214 | 136,800,065 | 141,611,057 |
| Euro | (58,599) | 114,750 | 3,080,027 | 3,323,643 |
| Indonesian rupiah | (34,879) | - | 1,036,461 | - |
| Mexican peso | (68,519) | (6,500) | 830,124 | 468,586 |
| US dollar | (62,154) | 8,782,573 | 101,595,659 | 124,732,921 |
| Cash at bank | - | - | 7,013,799 | 4,783,340 |
| Other Assets | 4,126,655 | 6,548,080 | 4,126,655 | 6,548,080 |
| Liabilities | (3,406,596) | (5,677,957) | (3,406,596) | (5,677,957) |
| Total | 5,031,219 | 9,791,160 | 251,076,194 | 275,789,670 |

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

If the interest rate at 31 January 2019 had increased or decreased by 1 basis points with all other variables held constant, this would have increased or decreased the net asset value of the Fund by £174,282 (31.01.18: £188,298).

| Currency | Fixed rate financial assets weighted average interest rate | | Fixed rate financial assets weighted average period for which rate is fixed | |
|-------------------|--|----------|---|----------|
| | 31.01.19 | 31.01.18 | 31.01.19 | 31.01.18 |
| | % | % | Years | Years |
| Sterling | 2.71 | 2.51 | 13.26 | 13.78 |
| Euro | 2.22 | 3.10 | 11.99 | 10.40 |
| Indonesian rupiah | 8.40 | - | 13.14 | - |
| Mexican peso | 8.99 | 7.97 | 28.79 | 29.79 |
| US dollar | 7.17 | 5.54 | 8.95 | 9.08 |

Liquidity risk

This is the risk that the Fund does not have enough liquid assets, such as cash, to cover any liabilities that become due.

The main liability of the Fund is the redemption of any units that Unitholders may wish to sell. All of the Fund's financial liabilities are payable on demand. To manage this risk, the majority of the Fund's assets are in bonds of large companies in the UK which can usually be sold immediately to raise cash to settle any liabilities.

In addition, a small percentage of the Fund is held as cash in Sterling with the custodian, HSBC, and interest is earned at a rate linked to the UK base rate.

Credit/counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase), or cash (sale) after the Fund has fulfilled its responsibilities.

The extent of this risk is usually limited as the amount awaiting settlement from transactions at any point is only a small proportion of the Fund.

This risk is managed by the investment adviser, carefully selecting the authorised counterparties they deal with and dealing only on eligible stock markets. Cash in the Fund is held with the custodian, HSBC. The Trustee appoints the custodian and has the regulatory responsibility for monitoring them.

The Fund's assets held with banks and with the Trustee are also exposed to credit risk. The banks and Trustee used by the Fund are subject to regular review.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

15. Financial derivatives

The Fund has used financial derivatives for hedging and meeting investment objectives including risk reduction and implementation of investment policies. The use of derivatives can create additional counterparty risks.

Details of the policy adopted by the Manager for managing counterparty and other risks are set out in the Notes to the financial statements. The types of derivatives held at the year end were index futures and forward currency contracts. Details of the individual contracts are shown on the portfolio statement on pages 6 to 24, and the total position by the counterparty at the year end is summarised below:

The market value for each category of derivatives was as follows:

| Counterparty | Futures | | Forward currency | | Total | |
|-------------------------|-----------|----------|------------------|-----------|-----------|-----------|
| | 31.01.19 | 31.01.18 | 31.01.19 | 31.01.18 | 31.01.19 | 31.01.18 |
| | £ | £ | £ | £ | £ | £ |
| HSBC Bank | (139,358) | 223,322 | 74,383 | 210,031 | (64,975) | 433,353 |
| Barclays Bank | (26,488) | - | (38,051) | 178,512 | (64,539) | 178,512 |
| BNP Paribas | - | - | 2,719,353 | 302,105 | 2,719,353 | 302,105 |
| JP Morgan Chase | - | - | (122,476) | - | (122,476) | - |
| JP Morgan Securities | - | - | (410) | - | (410) | - |
| Royal Bank of Scotland | - | - | 56,803 | 17,880 | 56,803 | 17,880 |
| Standard Chartered Bank | - | - | 1,790,559 | 3,749,985 | 1,790,559 | 3,749,985 |
| UBS | - | - | (3,155) | 2,979,981 | (3,155) | 2,979,981 |

Eligible collateral types are approved by the Manager and may consist of cash, UK gilts, certificates of deposit, treasury bills, sovereign debt, eurosterling bonds and equities. As at 31 January 2019, counterparties held no collateral in respect of the above derivatives (31.01.18: Barclays held £1,378,239 in respect of forward currency contracts).

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

16. Post balance sheet events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

17. Ultimate controlling party and related party transactions

The Manager is regarded as a controlling party of the Fund by virtue of having the ability to act in concert in respect of Fund operations. The ultimate controlling party of the Manager is HSBC Group plc.

This entity and its subsidiaries are also related parties of the Fund.

At the year end, the Manager and its associates held 0.01% (0.01% as at 31 January 2018) of the Fund's units in issue.

Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 3, 4, 8 and 10 to the financial statements and the statement of change in net assets attributable to Unitholders and the portfolio statement. Within note 10, accrued expenses of (including amounts due to associates and agents) of £195,332 (£218,672 as at 31 January 2018) are due to the Manager.

At the year end the Fund held £4,399,306 (£4,001,113 as at 31 January 2018) in HSBC Holdings, the parent company of the Manager.

During the period transactions in HSBC Holdings totalled £2,412,261 (£6,801,031 as at 31 January 2018).

Certain expenses of the Fund amounting to £88,536 (£89,136 as at 31 January 2018) were met by the Manager in order that the fund can meet the CAT standards.

There were no units held by the Trustee or its associates.

There were no other material unitholders at the year end.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

18. Portfolio transaction costs

For the year ended 31 January 2019

| | Purchases | | Commissions | | Taxes | |
|--|--------------------|--|-------------|---|-------|---|
| | £ | | £ | % | £ | % |
| Analysis of total purchase costs | | | | | | |
| Bond transactions | 145,590,389 | | - | - | - | - |
| Corporate actions | 4,807,735 | | - | - | - | - |
| Total purchases before transaction costs | <u>150,398,124</u> | | - | - | - | - |
| Transaction costs | - | | | | | |
| Total purchases after commission and tax | <u>150,398,124</u> | | | | | |

| | Sales | | Commissions | | Taxes | |
|--------------------------------------|--------------------|--|-------------|---|-----------|---|
| | £ | | £ | % | £ | % |
| Analysis of total sales costs | | | | | | |
| Bond transactions | 151,307,359 | | - | - | - | - |
| Pooled investment vehicles | 1,349,690 | | - | - | 19 | - |
| Corporate actions | 19,305,217 | | - | - | - | - |
| Total sales before transaction costs | <u>171,962,266</u> | | - | - | <u>19</u> | |
| Transaction costs | <u>(19)</u> | | | | | |
| Total sales after commission and tax | <u>171,962,247</u> | | | | | |

Commissions and taxes as % of average Net Assets

| | |
|-------------|-------|
| Commissions | 0.00% |
| Taxes | 0.00% |

Portfolio transaction costs are incurred by the Fund when buying and selling underlying investments. These costs vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the Fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling units in the Fund are recovered from those investors through a 'dilution levy' applied as stated in the Fund's prospectus.

At the balance sheet date the portfolio dealing spread was 0.69%, being the difference between the respective bid and offer prices for the Fund's investments.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

For the year ended 31 January 2018

| | Purchases | | Commissions | | Taxes | |
|--|--------------------|--|-------------|---|-------|---|
| | £ | | £ | % | £ | % |
| Analysis of total purchase costs | | | | | | |
| Bond transactions | 408,624,332 | | - | - | - | - |
| Pooled investment vehicles | 1,416,204 | | - | - | - | - |
| Corporate actions | 9,204,958 | | - | - | - | - |
| Total purchases before transaction costs | <u>419,245,494</u> | | - | - | - | - |
| Transaction costs | - | | | | | |
| Total purchases after commission and tax | <u>419,245,494</u> | | | | | |

| | Sales | | Commissions | | Taxes | |
|--------------------------------------|--------------------|--|-------------|---|-------|---|
| | £ | | £ | % | £ | % |
| Analysis of total sales costs | | | | | | |
| Bond transactions | 383,114,558 | | - | - | - | - |
| Corporate actions | 24,776,769 | | - | - | - | - |
| Total sales before transaction costs | <u>407,891,327</u> | | - | - | - | - |
| Transaction costs | - | | | | | |
| Total sales after commission and tax | <u>407,891,327</u> | | | | | |

Commissions and taxes as % of average Net Assets

| | |
|-------------|-------|
| Commissions | 0.00% |
| Taxes | 0.00% |

Portfolio transaction costs are incurred by the Fund when buying and selling underlying investments. These costs vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the Fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling units in the Fund are recovered from those investors through a 'dilution levy' applied as stated in the Fund's prospectus.

At the balance sheet date the portfolio dealing spread was 0.60%, being the difference between the respective bid and offer prices for the Fund's investments.

Notes to the financial statements

This section provides a more detailed explanation of specific items included in the balance sheet and statement of total return.

For the year ended 31 January 2019

19. Fair value of investments

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 31 January 2019

| Category | 1 | 2 | 3 | Total |
|-------------------------------|-------------------|--------------------|----------------|--------------------|
| | £ | £ | £ | £ |
| Investment Assets | | | | |
| Bonds | 20,265,293 | 217,895,085 | 870,798 | 239,031,176 |
| Derivatives | - | 4,747,708 | - | 4,747,708 |
| | 20,265,293 | 222,642,793 | 870,798 | 243,778,884 |
| Investment Liabilities | | | | |
| Derivatives | (165,846) | (270,702) | - | (436,548) |
| | (165,846) | (270,702) | - | (436,548) |

For the year ended 31 January 2018

| Category | 1 | 2 | 3 | Total |
|-------------------------------|-------------------|--------------------|----------|--------------------|
| | £ | £ | £ | £ |
| Investment Assets | | | | |
| Bonds | 20,215,365 | 240,999,805 | - | 261,215,170 |
| Pooled investment vehicles | 1,259,221 | - | - | 1,259,221 |
| Derivatives | 223,322 | 7,513,547 | - | 7,736,869 |
| | 21,697,908 | 248,513,352 | - | 270,211,260 |
| Investment Liabilities | | | | |
| Derivatives | - | (75,053) | - | (75,053) |
| | - | (75,053) | - | (75,053) |

20. Stock lending activities

The Fund does not currently undertake stock lending.

Distribution tables

For the year ended 31 January 2019

1st interim

| | Gross income 2018 | Equalisation 2018 | Distribution paid 2018 | Distribution paid 2017 |
|---|----------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| | pence per unit | pence per unit | pence per unit | pence per unit |
| Group 1: Units purchased prior to 1 February 2018 | | | | |
| Group 2: Units purchased between 1 February 2018 to 30 April 2018 | | | | |
| Income units | | | | |
| Group 1 | 1.1761 | - | 1.1761 | 1.1824 |
| Group 2 | 0.5105 | 0.6656 | 1.1761 | 1.1824 |
| Accumulation units | | | | |
| Group 1 | 2.6763 | - | 2.6763 | 2.5837 |
| Group 2 | 1.1617 | 1.5146 | 2.6763 | 2.5837 |

2nd interim

| | Gross income 2018 | Equalisation 2018 | Distribution paid 2018 | Distribution paid 2017 |
|--|----------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| | pence per unit | pence per unit | pence per unit | pence per unit |
| Group 1: Units purchased prior to 1 May 2018 | | | | |
| Group 2: Units purchased between 1 May to 31 July 2018 | | | | |
| Income units | | | | |
| Group 1 | 1.2719 | - | 1.2719 | 1.1895 |
| Group 2 | 0.7785 | 0.4934 | 1.2719 | 1.1895 |
| Accumulation units | | | | |
| Group 1 | 2.9247 | - | 2.9247 | 2.6250 |
| Group 2 | 1.7901 | 1.1346 | 2.9247 | 2.6250 |

Distribution tables

For the year ended 31 January 2019

3rd interim

| | Gross income 2018 | Equalisation 2018 | Distribution paid 2018 | Distribution paid 2017 |
|---|----------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| | pence per unit | pence per unit | pence per unit | pence per unit |
| Group 1: Units purchased prior to 1 August 2018 | | | | |
| Group 2: Units purchased between 1 August 2018 to 31 October 2018 | | | | |
| Income units | | | | |
| Group 1 | 1.1966 | - | 1.1966 | 1.2542 |
| Group 2 | 0.5665 | 0.6301 | 1.1966 | 1.2542 |
| Accumulation units | | | | |
| Group 1 | 2.7831 | - | 2.7831 | 2.7964 |
| Group 2 | 1.3175 | 1.4656 | 2.7831 | 2.7964 |

Final

| | Gross income 2019 | Equalisation 2019 | Distribution payable 2019 | Distribution paid 2018 |
|---|----------------------------------|------------------------------|--|---------------------------------------|
| | pence per unit | pence per unit | pence per unit | pence per unit |
| Group 1: Units purchased prior to 1 November 2018 | | | | |
| Group 2: Units purchased between 1 November 2018 to 31 January 2019 | | | | |
| Income units | | | | |
| Group 1 | 1.1813 | - | 1.1813 | 1.1182 |
| Group 2 | 0.6288 | 0.5525 | 1.1813 | 1.1182 |
| Accumulation units | | | | |
| Group 1 | 2.7778 | - | 2.7778 | 2.5201 |
| Group 2 | 1.4786 | 1.2992 | 2.7778 | 2.5201 |

Important changes

The following changes were made to the Fund's Prospectus during the reporting period ending 31 January 2019:

Prospectus update 31 August 2018:

- Update to Section 4 "Best Execution" to align the name of the "Best Execution Policy" (previously also referred to as the "Order Execution Policy") and to provide updated links to the location of this document on the website. The address for written correspondence has also been updated.
- Update to Section 5 "Fund Property – Exercise Voting Rights" to reflect the amended links to this subject on the website. The address for written correspondence has also been updated to reflect the current address.
- Update to Section 7 "Historical Performance" to include the latest figures.
- Update to Section 8 "Fund Documentation" to remove reference to "long reports" – this does not need clarifying following the cessation of short reports.
- Update to Section 9 "Distributions" to cover the cessation of short reports. The annual distribution date of the fund has also been amended to reflect the correct distribution date.
- Update to Section 12 "Manager" to include the latest director information.
- Update to Section 13 "Delegated Functions" to include the latest entity details.
- Update to Section 14 "Trustee" to reflect the new address of the Fund's Trustee.
- Update to Section 15 "Investment Manager" to reflect the correct postcode for HSBC Global Asset Management (UK) Limited.
- Update to Section 20 "Fees and Expenses of the Manager" to remove out-of-date wording.
- Update to Section 24 "Purchase and Redemption of Units" to reflect the current address to use for written correspondence in relation to purchases and redemptions.

- Update to Section 27 "General Information" to clarify only long reports will be produced in future.
- Update to Section 28 "Taxation" to reflect the latest information and impact for investors.
- Update to Section 31 "Risks" to include risk information for the UK leaving the European Union.
- Update to Section 32 "Other Matters" to reflect the new address of the regulator. HSBC entity wording has also been clarified as part of the Banking Reform Act (ring-fencing).
- Update to Section 33 "Appendix 1" to show the latest global sub-custodian information.

Prospectus update 7 December 2018:

- Update to opening section to highlight the changes to the telephony support operating times.
- Update to Section 9 "Distributions" to reflect a corrected distribution date.
- Amendment to Section 20 "Fees and Expenses of the Manager" to replace the global custody charges' table with wording summarising the range of the fees charged.
- Update to Section 24 "Purchase and Redemption of Units" to highlight the changes to the telephony support operating times.

The following changes have been made to the Fund's Key Investor Information Document (KIID) during the reporting period ending 31 January 2019:

KIID Update 19 February 2018

- Update of "Past performance" to include performance data for 2017.
- Update to the "Investment Objectives and Policy" wording to remove reference to the Investment Manager.

Important changes

The following changes were made to the Fund's Prospectus during the reporting period ending 31 January 2019:

- Update to "Practical information" to reflect the new address of the Fund's Trustee.
- Update to "Risk and reward profile" wording to include clarificatory changes.
- Update to "Management company" wording to include clarificatory changes.
- Updates throughout KIID to reflect references of "Authorised Fund Manager" have been changed to "Manager".

Remuneration

Marks and Spencer Unit Trust Management Limited (M&SUTM) is the authorised Fund Manager and operator of four Unit Trust Funds governed by the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive. Under the UCITS V Directive, the Manager is required to disclose information relating to the remuneration paid to its staff for the financial year.

No staff are directly employed by M&SUTM. Staff employed by Marks & Spencer Financial Services plc (M&SFS) carry out a number of activities on behalf of M&SUTM. M&SUTM does not directly manage the investments held in the Funds. Fund management has been delegated to HSBC Global Asset Management (UK) Limited (AMEU), who is not currently sub-delegating management of the Fund to any investment adviser. M&SUTM, M&SFS, and AMEU are part of the HSBC Holdings plc Group. HSBC Global Asset Management (UK) Limited is an authorised UCITS Management Company and complies with the Financial Conduct Authority's remuneration rules applicable to UCITS management companies.

We consider that the remuneration information of employees of M&SFS and AMEU, carrying out activities for M&SUTM UCITS Funds, is not materially relevant for the M&SUTM UCITS Funds taking into account the other activities carried out by these employees for HSBC Group. Accordingly, no remuneration related information has been provided.

The up-to-date remuneration policy of the Manager, including, but not limited to, a description of how remuneration and benefits are determined and the governance arrangements for determining remuneration and benefits is available at <https://bank.marksandspencer.com/remuneration-policy>.

A paper copy is available from the Manager free of charge upon request.

Please call 0808 005 5555 if you would like to receive this information in an alternative format such as large print, Braille or audio.

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