

Manager's annual report

For the period 1 March 2023 to 29 February 2024

**MARKS & SPENCER
UK 100 COMPANIES FUND**



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Marks & Spencer UK 100 Companies 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 public 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 Business Park
Chester CH99 9FB
Registered in England
No. 2253009

Correspondence address

M&S Bank
PO Box 10581
51 Saffron Road
Wigston
LE18 4US

Directors of the Manager

James Coyle (Chairman and non-Executive Director)
Paul Spencer (Chief Executive Officer and Director)
Phillip Scott (Director)
Peter Dew (Non-Executive Director) (resigned 7 April 2023)
Jenny Goldie-Scot (Non-Executive Director) (appointed 7 April 2023)

Investment manager

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

Authorised and regulated by the Financial Conduct Authority.

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 Marks & Spencer UK 100 Companies Fund (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.

Our objectives and methods

Objective

The Fund aims to provide capital growth in the long term (five years or more) by tracking the performance of the FTSE 100 Index ('the index').

Policy

The Fund seeks to achieve this objective through investing in all companies that make up the FTSE 100 Index. It will invest in companies that make up the FTSE 100 Index and may also invest in other transferable securities equivalent to shares in companies, collective investment schemes, money market instruments, deposits and cash in order to manage day-to-day cash flow requirements that will assist the Fund to achieve its objective and are not part of the index. The Fund may invest up to 10% of its value in collective investment schemes.

The Fund may invest in derivatives for efficient portfolio management, which means investment techniques that aim to reduce risks, reduce costs, or generate additional capital or income with a level of risk that is consistent with the risk profile of the Fund.

The Fund does not intend to use financial derivative instruments extensively.

The Fund may not comprise of the same securities (either in terms of exact composition and/or weighting) that are tracked by the index in circumstances where the Manager determines that this is appropriate for reasons of poor liquidity, excessive cost to the Fund or where there are investment restrictions due to regulations or the Manager's banned weapons policy.

Investment strategy

The Investment Manager will use a replication approach to track the FTSE 100 Index. This means that the Fund will seek to invest in all of the companies that make up the index and in the same or very similar proportions in which they are included in the index.

From time to time, the Fund may not comprise of the same securities (either in terms of exact composition and/or weighting) that are tracked by the index in circumstances where the Manager determines that this is appropriate for reasons of poor liquidity, excessive cost to the Fund or where there are investment restrictions due to regulations or the Manager's banned weapons policy. The investment restrictions are detailed on page 10 of the Prospectus. The Fund tracks the performance of the index and we show the performance measured against the index over 12 month periods in the Prospectus.

The Fund's performance is measured against the index, because the Fund intends to track the performance of the index.

The Fund uses a "tracking error" to measure the consistency between the Fund's performance and the performance of the index. In general, the lower the tracking error, the more consistent the Fund's performance is relative to the index, and vice-versa.

The anticipated tracking error for the Fund is expected to be up to 0.10%. The anticipated tracking error for the Fund is not a guide to future performance.

Manager's investment report (continued)

Use of derivatives

The Fund may invest in exchange traded and over-the-counter derivatives in accordance with the investment restrictions on page 10 of the Prospectus. The Fund does not currently use currency forward contracts or other derivative instruments to hedge against movements in the rate of exchange between sterling and other currencies in which the Fund's assets may be denominated.

Information about the index

The FTSE 100 Index is a market capitalisation-weighted index of UK-listed blue chip companies. The index is part of the FTSE® UK series and is designed to measure the performance of the 100 largest companies traded on the London Stock Exchange that pass screening for size and liquidity. FTSE 100 constituents are all traded on the London Stock Exchange's SETS trading system. The index rebalances quarterly on the third Friday of March, June, September and December.

Details of the constituents of the index can be found at ftse.com/products/indices/UK.

Review of the 12 months to 29 February 2024

Economic and market review

In the first quarter of 2023, UK equities delivered positive returns amid hopes that central banks might cut interest rates later in the year. The Bank of England responded to unexpectedly robust inflation by voting to continue rate hikes. Moving into the second quarter, UK equities faced a decline due to tight labour markets and persistently high inflation, prompting the Bank of England to implement rate increases in both May and June. Despite these challenges, the third quarter brought a rebound for UK equities, marked by positive gains fuelled by optimism surrounding a potential peak in base rates and improving consumer confidence.

UK equities were up over the fourth quarter. Domestically focused stocks performed well amid rising hopes that interest rates had likely reached their peak. Despite strong performance in certain sectors, larger companies faced headwinds due to a robust sterling against a weak US dollar. UK inflation moderated more than expected. UK policymakers said it was too early to say that services price growth and pay inflation were firmly trending lower. UK GDP saw growth of 0.3% in Q1 2023 and no change in Q2 2023, followed by a fall off by 0.1% in Q3 2023 and 0.3% in Q4 2023. CPI inflation fell faster than expected in November, coming in at 3.9% versus consensus forecasts of 4.4%.

After a strong finish to 2023, UK equities fell during the start of 2024 and continued to lose ground in February whilst global markets registered strong gains. UK inflation data positively surprised as headline inflation remained steady at 4%, lower than expected. Despite the improving inflation data, Bank of England (BoE) Governor Andrew Bailey struck a cautious tone around the prospect of interest rate cuts. Speaking at a Treasury select committee he reiterated the bank's concern that inflation will pick up again later in 2024 after briefly dipping below the 2% target.

Portfolio Review

The Fund aims to track the FTSE 100 Index as closely as possible. The Marks & Spencer UK 100 Companies Fund showed performance in line with expectations for an index tracking fund at 0.08 percentage points behind the FTSE 100 index. The list of companies held within the index is reviewed every three months. During the period, IMI, Diploma, Hikma Pharmaceuticals, Marks & Spencer Group, Howden Joinery Group, Intermediate Capital Group and Persimmon joined the index. British Land Co, Abrdn, Hiscox, Johnson Matthey, CRH, Hargreaves Lansdown and Dechra Pharmaceuticals left the index.

Portfolio Performance

During the period under review, the value of the units in the Fund fell by 0.61% while the value of the FTSE 100 Index rose by 0.81%.

(Source: Morningstar Direct, GBP, UK net of tax, for the Accumulation unit class. Returns based on a bid to bid basis). Please note that the above information refers to the past and that past performance is not a reliable indication of future returns.

Manager's investment report (continued)

Outlook

There is continued scope for near-term gains given economic resilience, especially in the US, but the risks of an economic slowdown remain, with activity sluggish in the eurozone and Asia. Equities in Japan and India look interesting in the context of a more robust earnings outlook. The UK market outlook anticipates ongoing disinflation as with most developed economies throughout 2024. UK exited its technical recession in Q1 2024 which it entered in the second half of 2023. The defensive and value play of UK equities can be appealing in an environment of weaker growth. Nevertheless, near-term indicators are hinting at slowing activity which creates earnings challenges, and still high wage growth creates some uncertainty about the direction of BoE policy.

Portfolio statement

This section details all the different companies in which the Fund invests, by sector. It also shows the number of shares held, the percentage each company represents of the Fund as a whole and the value of those shares at the end of the accounting year (shown under bid value).

As at 29 February 2024

	Holding or nominal value of positions as at 29 February 2024	Bid Value (£)	% of Net Total Assets
UK EQUITIES & CONVERTIBLES (99.13%; 28.02.23 98.96%)			
BASIC MATERIALS (7.47%; 28.02.23 9.28%)			
Chemicals			
Croda International	19,027	906,637	0.35
Forestry & paper			
Mondi	60,094	846,124	0.32
Mining			
Anglo American	164,383	2,796,155	1.06
Antofagasta	46,677	848,121	0.32
Endeavour Mining	24,335	310,271	0.12
Fresnillo	25,621	116,678	0.04
Glencore	1,676,587	6,281,333	2.39
Rio Tinto	148,375	7,535,966	2.87
Total Basic Materials		19,641,285	7.47
CONSUMER GOODS (16.38%; 28.02.23 17.24%)			
Beverages			
Coca-Cola HBC	26,813	660,940	0.25
Diageo	301,123	8,919,263	3.39
Food producers			
Associated British Foods	45,768	1,040,307	0.40
Tesco	962,716	2,684,052	1.02
Household Goods			
Barratt Developments	134,076	625,465	0.24
Persimmon	43,589	594,336	0.23
Reckitt Benckiser	97,595	4,877,798	1.86
Taylor Wimpey	477,444	657,440	0.25
Personal Goods			
Burberry	48,957	628,853	0.23
Unilever	341,540	13,205,644	5.02
Tobacco			
British American Tobacco	303,031	7,106,077	2.70
Imperial Brands	121,288	2,066,141	0.79
Total Consumer Goods		43,066,316	16.38
CONSUMER SERVICES (12.67%; 28.02.23 10.35%)			
Food & drug retailers			
Ocado Group	81,167	414,763	0.16
Sainsbury (J)	236,528	590,137	0.23

Portfolio statement (continued)

This section details all the different companies in which the Fund invests, by sector. It also shows the number of shares held, the percentage each company represents of the Fund as a whole and the value of those shares at the end of the accounting year (shown under bid value).

As at 29 February 2024

	Holding or nominal value of positions as at 29 February 2024	Bid Value (£)	% of Net Total Assets
General retailers			
B&M European Value	127,931	672,405	0.26
Frasers Group	17,355	140,402	0.05
Haleon	790,830	2,620,811	1.00
JD Sports Fashion	335,545	395,272	0.15
Kingfisher	259,051	607,475	0.23
Marks & Spencer	266,452	630,958	0.24
Next	16,530	1,374,304	0.52
Media			
Informa	189,492	1,535,264	0.58
Pearson	97,462	935,830	0.36
RELX	258,277	8,936,384	3.40
WPP	142,035	1,004,472	0.37
Travel & leisure			
Compass Group	233,039	5,054,616	1.92
Entain	85,597	781,329	0.30
Flutter Entertainment	24,197	4,138,897	1.57
InterContinental Hotels Group	22,476	1,883,039	0.72
International Consolidated Airlines	506,972	746,516	0.28
Whitbread	26,174	864,266	0.33
Total Consumer Services		33,327,140	12.67

FINANCIALS (20.01%; 28.02.23 20.16%)

Banks

Barclays	2,046,677	3,365,146	1.28
HSBC Holdings plc*	2,653,901	16,308,222	6.20
Lloyds Banking	8,640,471	4,023,867	1.53
NatWest Group	748,843	1,790,484	0.68
Standard Chartered	299,233	1,997,081	0.76

Equity investment instruments

Foreign & Colonial Investment Trust	69,822	684,954	0.26
Scottish Mortgage Investment Trust	192,058	1,538,769	0.59

Financial services

3i Group	129,740	3,200,686	1.22
Intermediate Capital	38,149	733,033	0.28
London Stock Exchange	61,478	5,456,787	2.08
Schroders	114,853	451,487	0.17

Portfolio statement (continued)

This section details all the different companies in which the Fund invests, by sector. It also shows the number of shares held, the percentage each company represents of the Fund as a whole and the value of those shares at the end of the accounting year (shown under bid value).

As at 29 February 2024

	Holding or nominal value of positions as at 29 February 2024	Bid Value (£)	% of Net Total Assets
Life insurance			
Aviva	371,920	1,659,879	0.63
Legal & General	807,949	1,955,237	0.74
M&G	296,839	666,997	0.25
Phoenix Group Holdings	100,214	498,264	0.19
Prudential	374,901	2,915,230	1.11
St James's Place Capital	73,731	370,867	0.14
Non-life insurance			
Admiral	41,716	1,112,149	0.42
Beazley	90,146	587,752	0.22
Real estate investment trust			
Land Securities	100,621	622,844	0.24
Pershing Square Holdings	20,675	813,355	0.31
Segro REIT	166,565	1,407,474	0.54
Unite	47,255	453,649	0.17
Total Financials		52,614,213	20.01
HEALTHCARE (11.96%; 28.02.23 12.07%)			
Healthcare equipment & services			
Convatec Group	224,002	551,493	0.21
NMC Health	17,464	18	0.00
Smith & Nephew	118,962	1,237,205	0.47
Pharmaceuticals & biotechnology			
AstraZeneca	201,302	20,095,979	7.64
GSK	548,050	9,122,840	3.47
Hikma Pharmaceuticals	21,983	432,406	0.17
Total Healthcare		31,439,941	11.96
INDUSTRIALS (11.87%; 28.02.23 9.95%)			
Aerospace & defence			
BAE Systems	415,284	5,157,827	1.96
Rolls-Royce	1,140,393	4,209,191	1.60
Construction & materials			
Berkeley Group Holdings	14,210	659,628	0.25
Electronic & electrical equipment			
Halma	51,685	1,189,789	0.45
General industrials			
Smith (David S)	174,308	561,446	0.21
Smiths Group	47,352	761,183	0.29
Smurfit Kappa	35,524	1,199,290	0.46

Portfolio statement (continued)

This section details all the different companies in which the Fund invests, by sector. It also shows the number of shares held, the percentage each company represents of the Fund as a whole and the value of those shares at the end of the accounting year (shown under bid value).

As at 29 February 2024

	Holding or nominal value of positions as at 29 February 2024	Bid Value (£)	% of Net Total Assets
Industrial engineering			
IMI	35,067	607,711	0.23
Spirax-Sarco Engineering	10,018	1,033,858	0.39
Weir Group	35,340	647,782	0.25
Support services			
Ashtead	59,434	3,375,851	1.28
Bunzl	45,965	1,448,817	0.55
DCC (London listed)	13,484	757,261	0.29
Diploma	17,805	615,341	0.23
Experian	124,832	4,225,563	1.61
Howden Joinery	71,784	593,510	0.23
Intertek	22,014	1,017,267	0.39
Melrose Industries	182,600	1,158,414	0.44
Rentokil Initial	343,899	1,506,965	0.57
RS Group	64,317	484,693	0.19
Total Industrials		31,211,387	11.87
TECHNOLOGY (1.24%; 28.02.23 0.87%)			
Software & computer services			
Auto Trader	122,349	905,872	0.34
Rightmove	111,021	629,045	0.24
Sage	139,555	1,736,064	0.66
Total Technology		3,270,981	1.24
TELECOMMUNICATIONS (1.18%; 28.02.23 1.74%)			
Fixed line telecommunications			
Airtel Africa	145,965	138,448	0.06
British Telecom	857,673	895,411	0.34
Mobile telecommunications			
Vodafone	2,976,962	2,057,676	0.78
Total Telecommunications		3,091,535	1.18
OIL & GAS (12.40%; 28.02.23 13.54%)			
Oil & gas producers			
BP	2,272,401	10,468,951	3.98
Shell	900,676	22,129,609	8.42
Total Oil & Gas		32,598,560	12.40

Portfolio statement (continued)

This section details all the different companies in which the Fund invests, by sector. It also shows the number of shares held, the percentage each company represents of the Fund as a whole and the value of those shares at the end of the accounting year (shown under bid value).

As at 29 February 2024

	Holding or nominal value of positions as at 29 February 2024	Bid Value (£)	% of Net Total Assets
UTILITIES (3.95%; 28.02.23 3.76%)			
Electricity			
SSE	148,545	2,414,599	0.92
Gas, water & multi-utilities			
Centrica	744,719	937,229	0.36
National Grid	500,559	5,193,300	1.97
Severn Trent	35,949	898,725	0.34
United Utilities	93,081	954,080	0.36
Total Utilities		10,397,933	3.95
FUTURE CONTRACTS (0.00%; 28.02.23 0.02%)			
ICF FTSE 100 Index Future March 2024	30	3,440	0.00
Total Future Contracts		3,440	0.00
Portfolio of investments		260,662,731	99.13
Net other assets		2,277,165	0.87
Net assets		262,939,896	100.00

* Investment managed by or associated with the Manager/HSBC Group.

The counterparty for the Futures is HSBC.

The securities held are approved and are admitted to an official listing unless otherwise specified.

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	29.02.24	28.02.23	28.02.22
Opening net asset value per unit	230.49p	217.94p	189.79p
Return before operating charges*	1.55p	20.48p	35.84p
Operating charges	(1.13p)	(1.09p)	(1.05p)
Return after operating charges*	0.42p	19.39p	34.79p
Distributions on income unit	(7.26p)	(6.84p)	(6.64p)
Closing net asset value per unit	223.65p	230.49p	217.94p
*after direct transaction costs of:***	0.04p	0.06p	0.09p

Performance

Return after charges	0.18%	8.90%	18.33%
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Other information

Closing net asset value	£36,087,206	£39,681,610	£38,309,588
Closing number of units	16,135,907	17,216,360	17,578,071
Operating charges**	0.51%	0.51%	0.50%
Direct transaction costs	0.02%	0.03%	0.04%

Prices

Highest unit price	234.20p	199.90p	225.60p
Lowest unit price	214.00p	237.20p	189.80p

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

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	29.02.24	28.02.23	28.02.22
Opening net asset value per unit	469.21p	430.13p	363.13p
Return before operating charges*	3.45p	41.26p	69.04p
Operating charges	(2.32p)	(2.18p)	(2.04p)
Return after operating charges*	1.13p	39.08p	67.00p
Distributions on accumulation unit	(14.89p)	(13.59p)	(12.80p)
Retained distributions on accumulation unit	14.89p	13.59p	12.80p
Closing net asset value per unit	470.34p	469.21p	430.13p
*after direct transaction costs of:***	0.08p	0.12p	0.17p

Performance

Return after charges	0.24%	9.09%	18.45%
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Other information

Closing net asset value	£226,852,690	£245,392,922	£234,594,496
Closing number of units	48,231,267	52,299,216	54,540,668
Operating charges**	0.51%	0.51%	0.50%
Direct transaction costs	0.02%	0.03%	0.04%

Prices

Highest unit price	476.90p	401.50p	440.90p
Lowest unit price	438.70p	478.70p	363.10p

** The operating charges include all costs borne by the Fund, except for direct transaction costs. It includes the operating charges of any collective investment schemes in which the Fund 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 29 February 2024: **0.51%**

For the 12 month period to 28 February 2023: **0.51%**

The ongoing charges measure the annual charges and expenses of an investment fund and will include any charges for underlying open-ended investment company funds and applicable closed-ended investment funds. Most European investment funds highlight the ongoing charges to help you compare charges and expenses of different funds.

Ex-distribution (XD) dates: **1 March and 1 September**

Income payment dates: **30 April and 31 October**

Underlying fund charges in this report are in relation to the Fund holding investments in other collective investment schemes but excludes holdings in investment trusts.

Risk and reward profile



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 6?

This Fund is classified in category 6 because its price or simulated data has shown high fluctuations historically.

Tracking error

The tracking error calculated by HSBC Global Asset Management (UK) Limited for the 12 month period to 29 February 2024 was 0.02%. This is in line with the anticipated tracking error for the Fund.

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 a UK 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 UK 100 Companies Fund ('the Trust') for the Period Ended 29 February 2024.

The Depositary in its capacity as Trustee of the Marks & Spencer UK 100 Companies 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
20 May 2024

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.

The Manager is responsible for the maintenance and integrity of the corporate and financial information included on the Trust's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 (Chief Executive)



Phillip Scott (Director)

For and on behalf of Marks and Spencer Unit Trust Management Limited.
20 May 2024

Independent auditor's report

Independent auditor's report to the unitholders of Marks & Spencer UK 100 Companies Fund ('the Trust')

Opinion

We have audited the financial statements of the Trust for the year ended 29 February 2024 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 pages 23 and 24.

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 29 February 2024 and of the net revenue and the net capital (losses)/gains 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.

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").

In our evaluation of the Manager's conclusions, we considered the inherent risks to the Trust's business model, and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Manager's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Trust will continue in operation.

Independent auditor's report (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Trust’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Manager, the Trustee, the Administrator and the Investment Manager;
- Reading board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is principally non-judgemental and based on publicly available information, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We identified and selected a sample of journal entries made at the end of the reporting period and tested those substantively including all material post-closing entries. Based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Trust is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related authorised fund legislation maintained by the Financial Conduct Authority) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Trust is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection and bribery and corruption legislation recognising the Trust’s activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Manager (Marks and Spencer Unit Trust Management Limited) 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 16, 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.

Independent auditor's report (continued)

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.



Wiqas Qaiser
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

20 Saltire Court
Edinburgh
EH1 2EG

20 May 2024

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 29 February 2024

	Notes	29.02.24		28.02.23	
		£	£	£	£
Income					
Net capital (losses)/gains	2		(8,572,195)		15,462,826
Revenue	3	10,135,597		9,869,933	
Expenses	4	(1,356,268)		(1,360,657)	
Interest payable and similar charges			-		(86)
Net revenue before taxation		8,779,329		8,509,190	
Taxation	5	(6,952)		(7,656)	
Net revenue after taxation			8,772,377		8,501,534
Total return before distributions			200,182		23,964,360
Distributions/Accumulations	6		(8,772,458)		(8,501,542)
Change in net assets attributable to Unitholders			(8,572,276)		15,462,818

Statement of change in net assets attributable to Unitholders

For the year ended 29 February 2024

	29.02.24		28.02.23	
	£	£	£	£
Opening net assets attributable to Unitholders		285,074,532		272,904,084
Amounts receivable on issue of units	2,151,592		3,876,533	
Less: Amounts payable on cancellation of units	(23,173,681)		(14,408,664)	
		(21,022,089)		(10,532,131)
Change in net assets attributable to Unitholders from investment activities (see above)		(8,572,276)		15,462,818
Retained distribution on accumulation units		7,458,865		7,239,408
Unclaimed distributions over 6 years old		864		353
Closing net assets attributable to Unitholders		262,939,896		285,074,532

The notes on pages 23 to 32 are an integral part of these financial statements.

Balance sheet

As at 29 February 2024

	Notes	29.02.24		28.02.23	
		£	£	£	£
ASSETS					
Fixed assets:					
Investments			260,662,731		282,163,808
Current assets:					
Debtors	8	1,372,459		1,453,257	
Cash and bank balances	9	1,644,776		2,112,064	
Total current assets			3,017,235		3,565,321
TOTAL ASSETS			263,679,966		285,729,129
LIABILITIES					
Creditors:					
Distribution payable		(378,694)		(340,230)	
Other creditors	10	(361,376)		(314,367)	
TOTAL LIABILITIES			(740,070)		(654,597)
Net assets attributable to Unitholders			262,939,896		285,074,532

The notes on pages 23 to 32 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.

For the year ended 29 February 2024

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.

The Manager has undertaken a detailed assessment of the Fund's ability to meet its liabilities as they fall. This includes liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Fund continues to be open for trading and the Manager is satisfied the Fund has adequate financial resources to continue in operation and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

(b) Recognition of revenue

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

All expenses (other than the Manager's periodic fee) incurred by the Fund have been borne by the Manager. The Manager's periodic charge is deducted from revenue for the purpose of calculating the distribution.

(d) Distribution policy

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

In order to conduct a controlled dividend flow, interim distributions will be at the Manager's discretion, up to a maximum of the distributable revenue for the year.

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 29 February 2024, 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.

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

(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 29 February 2024, being the last working day of the accounting year.

For the year ended 29 February 2024

2. Net capital (losses)/gains on investments

	29.02.24	28.02.23
	£	£
The net capital (losses)/gains on investments during the year comprise:		
Transaction charges	-	(113)
Currency (losses)/gains	(678)	11,409
(Losses)/gains on non-derivative securities	(8,359,259)	15,455,886
Losses on derivative contracts	(212,258)	(4,356)
Net capital (losses)/gains on investments	(8,572,195)	15,462,826
Amounts included in net losses on investments in respect of special dividends which were treated as capital	90,311	155,790

3. Revenue

	29.02.24	28.02.23
	£	£
UK dividends	9,689,591	9,387,479
Overseas dividends	291,839	343,822
Property income	70,055	109,894
Deposit interest	15,210	5,545
Bank interest	68,902	23,193
Total revenue	10,135,597	9,869,933

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

4. Expenses

	29.02.24	28.02.23
	£	£
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	<u>1,356,268</u>	<u>1,360,657</u>

Please note that the remaining expenses of the Fund are paid by the Manager.

5. Taxation

(a) Analysis of charge in year

	29.02.24	28.02.23
	£	£
Overseas tax	6,952	7,656
Total current tax charge for year (note 5b)	<u>6,952</u>	<u>7,656</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:

	29.02.24	28.02.23
	£	£
Net revenue before taxation	8,779,329	8,509,190
Corporation tax at 20%	1,755,866	1,701,838
Effects of:		
Revenue not subject to taxation	(1,996,286)	(1,946,260)
Current year expenses not utilised	240,420	244,422
Irrecoverable overseas tax	6,952	7,656
Current tax charge for year (note 5a)	<u>6,952</u>	<u>7,656</u>

(c) Provision for deferred taxation

At 29 February 2024 there is a potential deferred tax asset of £11,546,425 (28.02.23: £11,306,005) in relation to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

6. Distributions

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

	29.02.24	28.02.23
	£	£
Interim dividend distribution	5,916,128	5,993,572
Final dividend distribution	2,734,646	2,426,393
	<hr/> 8,650,774	<hr/> 8,419,965
 Add: Amount deducted on cancellation of units	 133,892	 102,545
Deduct: Income received on issue of units	(12,208)	(20,968)
Net distribution for the year	<hr/> 8,772,458	<hr/> 8,501,542

7. Movement between net revenue and distributions

	29.02.24	28.02.23
	£	£
Net revenue after taxation	8,772,377	8,501,534
Movement in net income property	81	8
Net distribution	<hr/> 8,772,458	<hr/> 8,501,542

8. Debtors

	29.02.24	28.02.23
	£	£
Accrued revenue	1,223,514	1,250,203
Overseas tax recoverable	148,945	203,054
Total debtors	<hr/> 1,372,459	<hr/> 1,453,257

9. Cash and bank balances

	29.02.24	28.02.23
	£	£
Cash and bank balances	1,104,535	1,881,083
Amounts held at derivative clearing houses and brokers	540,241	230,981
Total cash and bank balances	<hr/> 1,644,776	<hr/> 2,112,064

10. Creditors

	29.02.24	28.02.23
	£	£
Amounts payable for cancellation of units	256,609	204,181
Accrued expenses	104,767	110,186
Total creditors	<hr/> 361,376	<hr/> 314,367

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

11. Reconciliation of units

	Income	Accumulation
Opening units issued at 28.02.23	17,216,360	52,299,216
Units issued	459,100	250,400
Units cancelled	(1,563,000)	(4,306,900)
Units converted	23,447	(11,449)
Closing units at 29.02.24	16,135,907	48,231,267

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 (28.02.23: no contingent liabilities and outstanding commitments).

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.

It buys investments with the intention of tracking the FTSE 100 index.

Overall responsibility for the Marks & Spencer Unit Trust Funds rests with the Board of Directors of Marks & Spencer Unit Trust Management Limited (M&SUTM), which is 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.

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

Market price risk

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

The risk is reduced by having a 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

If market prices had increased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £26,066,273 (28.02.23: £28,216,381). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £26,066,273 (28.02.23: £28,216,381).

These calculations assume all other variables remain constant.

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 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.

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

The balance sheet can be affected by movements in foreign exchange rates. The table below shows the foreign currency holdings at the report date. As the Fund invests mainly on the UK stock market, there is usually very little investment in foreign currency assets.

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

	Portfolio of investments		Net current assets		Net assets	
	£	£	£	£	£	£
	29.02.24	28.02.23	29.02.24	28.02.23	29.02.24	28.02.23
Sterling	260,662,731	276,997,055	1,640,131	1,948,478	262,302,862	278,945,533
Euro	-	5,166,753	101,792	153,764	101,792	5,320,517
US dollar	-	-	535,242	808,482	535,242	808,482
Total	260,662,731	282,163,808	2,277,165	2,910,724	262,939,896	285,074,532

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 £63,703 (28.02.23: £612,900). 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 £63,703 (28.02.23: £612,900).

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.

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

At the year end date 0.63% (28.02.23: 0.74%) of the Fund's assets by value were interest bearing.

A change in interest rates would not have a significant impact on the Fund.

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

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 shares 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 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.

15. Post Balance Sheet events

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

16. 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 Holdings 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% (28.02.23: 0.01%) 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 (including amounts due to associates and agents) of £104,767 (28.02.23: £110,186) are due to the Manager.

At the year end the Fund held £16,308,222 (28.02.23: £17,771,211) in HSBC Holdings plc, the parent company of the Manager. During the period transactions in HSBC Holdings plc totalled £930,921 (28.02.23: £359,648).

Certain expenses of the fund amounting to £74,540 (28.02.23: £71,765) 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.

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

17. Portfolio transaction costs

For the year ended 29 February 2024

	Value	Commissions		Taxes		Other expenses	
	£	£	%	£	%	£	%
Analysis of total purchase costs							
Equity transactions	8,689,790	534	0.01	42,229	0.49	96	-
Corporate actions	100,252	-	-	-	-	-	-
Total purchases before transaction costs	8,790,042	534		42,229		96	
Transaction costs	42,859						
Total purchases after commission and tax	8,832,901						

	Value	Commissions		Taxes		Other expenses	
	£	£	%	£	%	£	%
Analysis of total sales costs							
Equity transactions	20,514,338	2,282	0.01	-	-	246	-
Corporate actions	1,331,270	-	-	-	-	-	-
Total sales before transaction costs	21,845,608	2,282		-		246	
Transaction costs	(2,528)						
Total sales after commission and tax	21,843,080						

Commissions, taxes and other expenses as % of average Net Assets

Commissions	0.00%
Taxes	0.02%
Other expenses	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.

At the balance sheet date the portfolio dealing spread was 0.04%, being the difference between the respective bid and offer prices for the Funds investments.

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

17. Portfolio transaction costs (continued)

For the year ended 28 February 2023

	Value	Commissions		Taxes	Other expenses	
	£	£	%	£	£	%
Analysis of total purchase costs						
Equity transactions	14,618,174	183	-	69,915	129	-
Total purchases before transaction costs	14,618,174	183		69,915	129	
Transaction costs	70,227					
Total purchases after commission and tax	14,688,401					

	Value	Commissions		Taxes	Other expenses	
	£	£	%	£	£	%
Analysis of total sales costs						
Equity transactions	14,856,751	957	0.01	-	145	-
Corporate actions	3,295,923	-	-	-	-	-
Total sales before transaction costs	18,152,674	957		-	145	
Transaction costs	(1,102)					
Total sales after commission and tax	18,151,572					

Commissions, taxes and other expenses as % of average Net Assets

Commissions	0.00%
Taxes	0.03%
Other expenses	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.

At the balance sheet date the portfolio dealing spread was 0.03%, being the difference between the respective bid and offer prices for the Funds investments.

Notes to the financial statements (continued)

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

For the year ended 29 February 2024

18. 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 29 February 2024

Category	1	2	3	Total
Investment Assets	£	£	£	£
Equities	260,659,273	-	18	260,659,291
Derivatives	3,440	-	-	3,440
	260,662,713	-	18	260,662,731

For the year ended 28 February 2023

Category	1	2	3	Total
Investment Assets	£	£	£	£
Equities	282,119,043	-	17	282,119,060
Derivatives	44,748	-	-	44,748
	282,163,791	-	17	282,163,808

19. Stock Lending Activities

The Fund does not currently undertake stock lending.

20. Financial Derivatives

The Fund may use 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.

However, at present there are no financial derivatives contained within this Fund.

21. Post Balance Sheet Event

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

Distribution tables

For the year ended 29 February 2024

Group 1: Units purchased prior to 1 March 2023

Group 2: Units purchased between 1 March 2023 to 31 August 2023

Interim	Net income 2023 pence per unit	Equalisation 2023 pence per unit	Distribution paid 2023 pence per unit	Distribution paid 2022 pence per unit
Income units				
Group 1	4.9126	-	4.9126	4.8663
Group 2	2.7715	2.1411	4.9126	4.8663
Accumulation units				
Group 1	10.0006	-	10.0006	9.6041
Group 2	5.6419	4.3587	10.0006	9.6041

Group 1: Units purchased prior to 1 September 2023

Group 2: Units purchased between 1 September 2023 to 29 February 2024

Final	Net income 2024 pence per unit	Equalisation 2024 pence per unit	Distribution payable 2024 pence per unit	Distribution paid 2023 pence per unit
Income units				
Group 1	2.3469	-	2.3469	1.9762
Group 2	1.7916	0.5553	2.3469	1.9762
Accumulation units				
Group 1	4.8847	-	4.8847	3.9889
Group 2	3.7290	1.1557	4.8847	3.9889

Important changes

The following changes were made to the Fund's Prospectus during the reporting period ending 29 February 2024:

Prospectus Update 5 December 2023

- Update to the section “Definitions” to include new definitions for “ESG” and “UNGC”. The definition for “US Person” has been amended.
- Update to the section “Investment Objective, Policy and Strategy” to update the Eligible securities and derivatives markets where required.
- Update to the section “Historical Performance” to update the performance information to 28 February 2023.
- Update to the section “Manager” to amend the address for the Registered office and Head office and principal place of business. The names and significant business activities of the Directors have also been updated.
- Update to the section “Trustee” to clarify the responsibilities of the Trustee and the Conflicts of Interest policy.
- Update to the section “Registrar” to amend the address of the registrar.
- Update to the section “Conflicts of Interest” to amend the Bank Holding Company Act.
- Update to the section “Ongoing Charges Figure” to update the ongoing charges information as at 28 February 2023.
- Update to the section “Taxation” to update the tax year references.
- Update to the section “Risks” to add a new risk wording for “Environment, Social and Governance (ESG) Scoring Risk” and “Sustainable Funds and Environment, Social and Governance (ESG) data”.
- Update to the section “Anticipated Tracking Error” to update the tracking error information.
- Update to the section “Integration of Sustainability Risks into Investment Decisions” to reflect the current position and to remove the ‘Consideration of Principal Adverse Impacts’ section as this is not relevant.
- Update to the section “Other Matters” to amend the address for Marks and Spencer Unit Trust Management Limited and to clarify that Marks and Spencer Unit Trust Management Limited is a subsidiary of HSBC UK Bank plc.
- Update to “Appendix 1” to amend the list of appointed local sub-custodians.

The following changes were made to the Fund's Key Investor Information Document during the reporting period ending 29 February 2024:

KIID update 13 February 2024

- Update to “Past Performance” to include performance information for 2023.

Remuneration (Unaudited)

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 and 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/pdf/IVRemunerationPolicy.pdf>

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

The Task Force on Climate-related Financial Disclosures (TCFD)

The Manager is not required to produce a Task Force on Climate-related Financial Disclosure (TCFD) report for the Fund. This is because the total assets under management of the Manager are below the regulatory threshold for reporting.

Important information

A copy of the latest Assessment of Value Report for our unit trusts is available on our website at <https://bank.marksandspencer.com/save-invest/investments/>. We continually review our unit trusts to ensure they deliver the good value our investors expect from us and to help investors assess whether they are getting value for money from their unit trust. The Financial Conduct Authority (FCA) now requires asset management firms to publish an Assessment of Value Report each year.

The report details our overall assessment of value rating for each fund and any actions or further reviews we are undertaking where applicable.

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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