

THE MARKS AND SPENCER
UK SELECTION PORTFOLIO

—

Manager's annual long report

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For the period 1 December 2017 to 30 November 2018

Contents

	Page(s)
Manager's investment report	2 to 4
Portfolio statement	5 to 6
Net asset value per unit and comparative table	7 to 8
Ongoing charges	9
Risk and reward profile	9
Authorised status	9
Trustee report	9 to 10
Statement of the Manager's responsibilities	10 to 11
Certification of financial statements by Directors of the Manager	11
Independent auditor's report	11 to 13
Statement of total return	14
Statement of change in net assets attributable to Unitholders	14
Balance sheet	15
Notes to the financial statements	16 to 23
Distribution tables	24
Important changes	25 to 26
Remuneration	27

The Marks and Spencer UK Selection Portfolio

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)

Sue Fox (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 adviser

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 5CL

Manager's investment report

This section gives you confirmation of the Marks and Spencer UK Selection Portfolio (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. Prior to this report important changes were communicated regarding an update to the wording in the Fund's investment objective, policy and strategy. Consequently, the wording below was effective from 22 June 2018.

Our objectives and methods

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

The Fund will invest a minimum of 80% of its value in shares of UK companies including convertible stocks.

UK companies are deemed to be those that are domiciled or incorporated in the UK, or which conduct a significant proportion of their business in the UK (i.e. at least 80% of revenue is earned from the UK).

The Fund may also invest up to 10% in the shares of companies listed on the UK stock exchange (which are not UK companies), as well as up to a further 10% in the shares of companies that are neither UK companies nor listed on the UK stock exchange. This means that up to 20% of the value of the Fund may be invested in non-UK companies.

The Fund is structured to deliver the objective through its broad exposure to both large and smaller companies and convertible stocks and will hold approximately 35-45 stocks.

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 Fund may use derivative instruments (options, futures and contracts for differences) and forward transactions 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.

The Manager's investment policy may mean that at times it is appropriate not to fully invest but to hold cash or near cash. This will only occur when the Manager reasonably regards it as necessary to enable Units to be redeemed or for the efficient management of the Fund in accordance with its objective or purpose that may reasonably be regarded as ancillary to the objective of the Fund.

Strategy

The Manager has appointed HSBC Global Asset Management (UK) Limited (the "Investment Manager") to provide investment management services to the Manager in respect of the Fund. The Fund is structured to deliver the objective through its broad exposure to both large and smaller companies including convertible stocks.

	Percentage growth				
	30.11.13 to 30.11.14	30.11.14 to 30.11.15	30.11.15 to 30.11.16	30.11.16 to 30.11.17	30.11.17 to 30.11.18
Fund	4.7%	0.7%	5.8%	8.1%	-5.1%
Benchmark*	4.6%	2.2%	8.7%	13.4%	-0.1%

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. The performance figures exclude the initial charge of the Fund. Source: Morningstar.

*The investment benchmark for the Fund, for comparison purposes only, is the FTSE All-Share Gross Index.

Fund yield (gross)**	4.4%
Three year rolling yield for the index (gross)***	4.0%

**Fund yield is quoted on a 12-monthly basis, before the deduction of any expenses.

***This is the rolling yield of the FTSE All-Share Index over a period of 36 months to 30.11.18.

The Fund is actively managed and does not aim to track a benchmark. However, the stock and investment sector weights of the Fund are limited so that they do not differ significantly from the respective weights of the FTSE All-Share Index. This is to help manage the investment risk within the Fund.

Whilst the investment performance of the Fund may differ from that of the FTSE All-Share Index, our approach means that the Fund's investment performance is likely to be closer to that of the index than might be the case if these limits were not in place.

The 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.

Review of the twelve months to 30 November 2018

Economic and market review

Although the UK equity market ended the period only a little below where it started it, this disguised some quite large market movements up and down in the period. UK equities advanced at the beginning of the review period with sentiment boosted by M&A activity, including Shire's acquisition for \$62 billion and Sainsbury's planned \$10 billion merger with Asda. However, this was not sustained and in the first quarter of 2018 the market lost its gains, in tandem with other global equity markets, as investors adopted a risk-off attitude in response to higher US interest rates and bond yields. Tariffs announced by President Trump at the beginning of March further worried investors.

Markets recovered their composure in the second quarter, reversing the declines of the first quarter. However, the UK equity market was unable to hold these levels and from late summer and into autumn the market showed a decline back down to the levels

seen in March, following a similar pattern to other markets. The driver for the declines was concerns that President Trump's tariffs against China would develop into a trade war which would compromise economic growth potential, and with it prospects for company profitability growth.

On the political scene, Brexit negotiations continued to garner attention and dominate economic news throughout the year. In late March, the UK and EU agreed a transitional period running from 29 March 2019 to 31 December 2020, during which the UK would remain in the Single Market and Customs Union on current terms and would be able to negotiate trade deals, but not implement them. In November, the British government announced details of the draft Withdrawal Agreement, the terms on which the transition period would operate. This received criticism from "Brexiters" and "Remainers" alike, and led to further political turmoil in the UK.

In monetary policy news, the Bank of England (BoE) raised interest rates by 0.25 percentage points to 0.75% at its August meeting, taking rates to the highest level since March 2009. The BoE's governor, Mark Carney, has said that future rate rises are possible until inflation falls back below the BoE's 2% target. However, interest rates are likely to remain low on a historical basis given modest economic growth, economic risks such as uncertainties around Brexit and the potential hit to UK economy from the rise in protectionist measures around the world. Meanwhile, Mark Carney's tenure as the Bank of England's governor is to be extended till 2020, to support the economy through Brexit.

Portfolio review

Sector allocation over the year has been negative and mostly driven by an underweight exposure to healthcare and overweight information technology. Partially offsetting this was an underweight exposure to consumer staples. Stock selection was

also negative for the period with positive contribution from within healthcare and information technology. However, it was offset by selection effects from financials and consumer staples.

At the stock level, the largest contributor to performance was Microsoft, whose reported revenue for the quarter came in ahead of the highest estimates, sparking analysts to upgrade the stock on the back of further growth.

GlaxoSmithKline advanced at the start of the year on confirmation that the company was to buy out Novartis from their consumer health care joint venture.

Sage was the largest relative detractor over the review period. The company saw its share price drop after announcing a growth warning caused by a decline in recurring revenues and also a drop in licences. Saga's share price also fell after issuing a profit warning due to challenging trading conditions in home and travel insurance. More recently, the stock fell with the rest of the insurance sector on concerns of rising interest rates.

During the period positions were initiated in Antofagasta, Ascential, Ashmore Group, Diageo, Ibstock, Merlin Entertainment, Qinetiq, Ryanair, Smiths Group and Smufit Kappa. Positions in Centrica, Imperial Brands, Lloyds Banking Group, Saga, Lancashire Holdings, Legrand, Roche, Sophos and IWG were exited.

Outlook

Although expected to slow, global economic growth is nonetheless positive and we do not expect a decline into recession in the major economies in 2019. Interest rates remain low by historical standards and company balance sheets are supportive of capital spending. Meanwhile, President Trump will be keen to see trade tensions with China resolved as he will not wish to compromise economic prospects in the second half of his presidency. Such factors are positive for equities and, though risks remain, will likely be the longer term drivers of market performance.

In the UK, ongoing Brexit negotiations continue to bring uncertainty to both the political and economic climates. In turn, these will have a bearing on the UK equity market as well as on the British Pound. Nevertheless,

the prospect of a significant slowdown in the UK seems less likely against a background of growth in the major economic blocs, which we expect to continue.

Against this background, the Fund aims to deliver diversified exposure to UK equities, by investing in companies with an attractive combination of profitability and valuation. These quality companies typically have sustainable business models, strong balance sheets and good management.

We believe this disciplined approach should help investors navigate any short-term uncertainties to deliver long-term return potential.

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 fund accounting year (shown under bid value).

As at 30 November 2018

HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 30 NOVEMBER 2018		BID VALUE (£)	% OF NET TOTAL ASSETS	HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 30 NOVEMBER 2018		BID VALUE (£)	% OF NET TOTAL ASSETS
UK EQUITIES AND CONVERTIBLES (96.55%; 30.11.17 93.27%)				CONSUMER GOODS (12.90%; 30.11.17 10.42%)			
OIL & GAS (13.51%; 30.11.17 13.40%)				Beverages 1.75			
Oil & gas producers 12.68				Diageo 66,608 1,879,678 1.75			
BP	1,188,728	6,181,386	5.75	Household goods 2.63			
Royal Dutch Shell 'A'	314,584	7,454,068	6.93	Reckitt Benckiser 43,491 2,832,134 2.63			
Oil equipment & services 0.83				Personal goods 4.62			
John Wood	141,545	897,678	0.83	Unilever 117,199 4,973,340 4.62			
Total Oil and gas 14,533,132 13.51				Tobacco 3.90			
BASIC MATERIALS (7.71%; 30.11.17 6.83%)				British American Tobacco 152,434 4,191,935 3.90			
Chemicals 1.39				Total Consumer goods 13,877,087 12.90			
Croda International	30,616	1,492,836	1.39	HEALTHCARE (8.90%; 30.11.17 6.02%)			
Mining 6.32				Pharmaceuticals & biotechnology 8.90			
Antofagasta	166,158	1,328,599	1.24	AstraZeneca 63,199 3,865,883 3.59			
BHP Group	224,444	3,369,802	3.13	GlaxoSmithKline 352,107 5,707,654 5.31			
Rio Tinto	58,826	2,093,323	1.95	Total Healthcare 9,573,537 8.90			
Total Basic materials 8,284,560 7.71				CONSUMER SERVICES (10.75%; 30.11.17 11.65%)			
INDUSTRIALS (17.25%; 30.11.17 13.25%)				General retailers 3.20			
Aerospace & defence 3.48				Card Factory 335,812 644,087 0.60			
BAE Systems	400,611	1,967,801	1.83	Halfords Group 382,144 1,108,982 1.03			
Qinetiq Group	598,686	1,777,499	1.65	WH Smith 88,839 1,693,271 1.57			
Construction & materials 3.69				Food & drug retailers 0.55			
Ferguson	53,958	2,708,152	2.52	Tesco 299,226 590,971 0.55			
lbstock	593,407	1,262,770	1.17	Media 3.35			
General industrials 3.94				Ascential 366,541 1,386,991 1.29			
Coats Group	2,645,050	2,150,426	2.00	Informa 209,528 1,443,648 1.34			
Smiths Group	59,559	827,572	0.77	Merlin Entertainments 229,678 771,948 0.72			
Smurfit Kappa Group	59,438	1,263,652	1.17	Travel & leisure 3.65			
Industrial engineering 1.14				Compass Group 153,542 2,576,435 2.40			
IMI	125,945	1,226,075	1.14	Ryanair Holdings 130,581 1,346,517 1.25			
Support services 5.00				Total Consumer services 11,562,850 10.75			
DCC (London listed)	22,439	1,322,779	1.23				
Essentra	409,095	1,566,016	1.46				
Rentokil Initial	753,923	2,487,192	2.31				
Total Industrials 18,559,934 17.25							

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 fund accounting year (shown under bid value).

As at 30 November 2018

HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 30 NOVEMBER 2018		BID VALUE (£)	% OF NET TOTAL ASSETS	HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 30 NOVEMBER 2018		BID VALUE (£)	% OF NET TOTAL ASSETS
TELECOMMUNICATIONS (3.37%; 30.11.17 4.70%)				OVERSEAS EQUITIES & CONVERTIBLES (2.45%; 30.11.17 5.37%)			
Fixed line telecommunications 2.60				France (0.00%; 30.11.17 1.00%)			
BT Group	1,066,662	2,793,588	2.60				
Mobile telecommunications 0.77				Netherlands			
Vodafone Group	491,382	830,141	0.77	(1.16%; 30.11.17 1.34%) 1.16			
Total Telecommunications		3,623,729	3.37	Wolters Kluwer certificates 26,287 1,243,818 1.16			
UTILITIES (0.00%; 30.11.17 2.60%)				Switzerland (0.00%; 30.11.17 0.76%)			
FINANCIALS (20.56%; 30.11.17 21.26%)				United States (1.29%; 30.11.17 2.27%) 1.29			
Banks 10.68				Microsoft 15,982 1,389,015 1.29			
Barclays	1,814,072	2,953,309	2.75	Total Overseas Equities & Convertibles 2,632,833 2.45			
HSBC Holdings*	819,859	5,443,864	5.06				
Royal Bank of Scotland	1,417,370	3,091,284	2.87	Portfolio of investments 106,472,498 99.00			
Life insurance 6.91				Net other assets 1,077,346 1.00			
Aviva	714,056	2,904,780	2.70	Net assets 107,549,844 100.00			
Prudential	294,226	4,531,080	4.21				
Real estate investment trust 0.98				The securities held are approved and are admitted to an official listing unless otherwise stated.			
Segro REIT	85,487	515,658	0.48	* Related parties			
Great Portland REIT	76,892	533,938	0.50				
Real estate investment services 0.49							
Land Securities REIT	64,172	521,847	0.49				
Financial Services 1.50							
Ashmore Group	434,646	1,608,190	1.50				
Total Financials		22,103,950	20.56				
TECHNOLOGY (1.60%; 30.11.17 3.14%)							
Software & computer services 1.60							
Sage Group	295,990	1,720,886	1.60				
Total Technology		1,720,886	1.60				
Total UK Equities & Convertibles 103,839,665 96.55							

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	30.11.18	30.11.17	30.11.16
Opening net asset value per unit	348.45p	328.05p	316.89p
Return before operating charges*	(12.44p)	34.07p	23.37p
Operating charges**	(4.88p)	(5.05p)	(5.06p)
Return after operating charges*	(17.32p)	29.02p	18.31p
Distributions on income unit	(9.06p)	(8.62p)	(7.15p)
Closing net asset value per unit	322.07p	348.45p	328.05p

*after direct transaction costs of***

	0.72p	0.97p	1.98p
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Performance

Return after charges	(4.97%)	8.85%	5.78%
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Other information

Closing net asset value	£1,175,207	£1,289,121	£1,351,286
Closing number of units	364,897	369,963	411,918
Operating charges	1.40%	1.44%	1.59%
Direct transaction costs	0.21%	0.28%	0.62%

Prices

Highest unit price	368.20p	366.60p	345.90p
Lowest unit price	322.30p	324.40p	278.60p

** 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	30.11.18	30.11.17	30.11.16
Opening net asset value per unit	631.52p	580.46p	548.40p
Return before operating charges*	(23.27p)	60.06p	40.88p
Operating charges**	(8.92p)	(9.00p)	(8.82p)
Return after operating charges*	(32.19p)	51.06p	32.06p
Distributions on accumulation unit	(16.52p)	(15.34p)	(12.43p)
Retained distributions on accumulation unit	16.52p	15.34p	12.43p
Closing net asset value per unit	599.33p	631.52p	580.46p

*after direct transaction costs of***	1.31p	1.73p	3.45p
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Performance

Return after charges	(5.10%)	8.80%	5.85%
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Other information

Closing net asset value	£106,374,637	£120,775,940	£118,245,177
Closing number of units	17,748,853	19,124,590	20,370,798
Operating charges	1.40%	1.44%	1.59%
Direct transaction costs	0.21%	0.28%	0.62%

Prices

Highest unit price	667.30p	651.20p	606.20p
Lowest unit price	588.50p	574.00p	482.20p

** 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 30 November 2018:

1.40%

For the 12 month period to 30 November 2017:

1.44%

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 December and 1 June

Income payment dates:

31 January and 31 July

Risk and reward profile

Lower risk

Higher risk



Typically lower rewards

Typically higher rewards

1	2	3	4	5	6	7
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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 5?

Share prices tend to fluctuate more than other asset classes as investors directly participate in the performance of companies and their earnings.

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 and Spencer UK Selection Portfolio ('the Trust') for the Period Ended 30 November 2018.

The Depositary in its capacity as Trustee of the Marks and Spencer UK Selection Portfolio 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

31 January 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.



Sue Fox (Chief Executive)



Phillip Scott (Director)

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

31 January 2019

Independent auditor's report

Independent auditor's report to the unitholders of The Marks and Spencer UK Selection Portfolio ('the Trust')

Opinion

We have audited the financial statements of the Trust for the year ended 30 November 2018 which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables and the accounting policies set out on page 16.

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 30 November 2018 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 Britain 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;
- 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 10, 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

31 January 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 30 November 2018

	Notes	30.11.18		30.11.17	
		£	£	£	£
Income					
Net capital (losses)/gains	2		(8,851,041)		7,375,471
Revenue	3	4,763,416		4,898,761	
Expenses	4	(1,631,935)		(1,777,229)	
Interest payable and similar charges		-		748	
Net revenue before taxation		<u>3,131,481</u>		<u>3,122,280</u>	
Taxation	5	(52,826)		(63,877)	
Net revenue after taxation			<u>3,078,655</u>		<u>3,058,403</u>
Total return before distributions			<u>(5,772,386)</u>		<u>10,433,874</u>
Distributions/Accumulations	6		<u>(3,078,669)</u>		<u>(3,058,424)</u>
Change in net assets attributable to Unitholders			<u>(8,851,055)</u>		<u>7,375,450</u>

Statement of change in net assets attributable to Unitholders

For the year ended 30 November 2018

	30.11.18		30.11.17	
	£	£	£	£
Opening net assets attributable to Unitholders		122,065,061		119,596,463
Amounts receivable on issue of units	531,143		854,814	
Amounts payable on cancellation of units	<u>(9,194,792)</u>		<u>(8,750,642)</u>	
		(8,663,649)		(7,895,828)
Change in net assets attributable to Unitholders from investment activities (see above)		(8,851,055)		7,375,450
Retained distribution on accumulation units		2,999,487		2,988,929
Unclaimed distributions over 6 years old		-		47
Change in net assets attributable to Unitholders		<u>107,549,844</u>		<u>122,065,061</u>

The notes on pages 16 to 23 are an integral part of these financial statements.

Balance sheet

As at 30 November 2018

	Notes	30.11.18		30.11.17	
		£	£	£	£
ASSETS					
Fixed assets:					
Investments			106,472,498		120,410,334
Current assets:					
Debtors	8	551,198		832,200	
Cash and bank balances	9	<u>749,032</u>		<u>1,240,206</u>	
Total current assets			<u>1,300,230</u>		<u>2,072,406</u>
TOTAL ASSETS			107,772,728		122,482,740
LIABILITIES					
Creditors:					
Distribution payable		(15,268)		(15,009)	
Other creditors	10	<u>(207,616)</u>		<u>(402,670)</u>	
TOTAL LIABILITIES			<u>(222,884)</u>		<u>(417,679)</u>
Net assets attributable to Unitholders			<u>107,549,844</u>		<u>122,065,061</u>

The notes on pages 16 to 23 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 30 November 2018

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

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 those relating to the purchase and sale of investments) are charged to revenue on an accruals basis.

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 30 November 2018, 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 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 30 November 2018, 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.

As at 30 November 2018

2. Net capital (losses)/gains on investments

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

	2018	2017
	£	£
Transaction charges	(13,608)	(21,350)
Currency (losses)/gains	(839)	7,054
(Losses)/gains on non-derivative securities	(8,836,594)	7,389,767
Net capital (losses)/gains on investments	(8,851,041)	7,375,471
Amounts included in net gains on investments in respect of special dividends which were treated as capital	197,068	-

3. Revenue

	2018	2017
	£	£
UK dividends	4,056,224	4,158,795
Overseas dividends	694,542	739,666
Property income	10,558	-
Bank interest	2,092	300
Total revenue	4,763,416	4,898,761

4. Expenses

	2018	2017
	£	£
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	1,587,714	1,679,017
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Trustee fee	14,219	15,036
Safe custody fee	(18,530)	24,250
	(4,311)	39,286
Other expenses:		
Registration fee	45,436	49,008
Audit fee	2,724	9,546
FCA fee	372	372
	48,532	58,926
Total expenses	1,631,935	1,777,229

5. Taxation

	2018	2017
	£	£
(a) Analysis of charge in year		
Overseas tax	52,826	63,877
Total current tax charge for year (note 5b)	52,826	63,877

(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:

	2018	2017
	£	£
Net revenue before taxation	3,131,481	3,122,280
Corporation tax at 20%	626,296	624,456
Effects of:		
Revenue not subject to taxation	(950,153)	(979,692)
Current year expenses not utilised	323,857	355,236
Irrecoverable overseas tax	52,826	63,877
Current tax charge for year (note 5a)	52,826	63,877

(c) Provision for deferred taxation

At 30 November 2018 there is a potential deferred tax asset of £8,435,883 (30.11.17: £8,112,026) 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.

6. Distributions

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

	2018	2017
	£	£
Interim dividend distribution	1,653,302	1,616,432
Final dividend distribution	1,379,640	1,405,041
	3,032,942	3,021,473

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 30 November 2018

Add: Amount deducted on cancellation of units	48,202	40,887
Deduct: Income received on issue of units	<u>(2,475)</u>	<u>(3,936)</u>
Net distribution for the year	<u>3,078,669</u>	<u>3,058,424</u>

7. Movement between net revenue and distributions

	2018	2017
	£	£
Net revenue after taxation	3,078,655	3,058,403
Movement in net income property	<u>14</u>	<u>21</u>
Net distribution	<u>3,078,669</u>	<u>3,058,424</u>

8. Debtors

	2018	2017
	£	£
Amounts receivable for issue of units	-	5,323
Sales awaiting settlement	-	185,888
Accrued revenue	492,989	604,467
Overseas tax recoverable	58,209	36,522
Total debtors	<u>551,198</u>	<u>832,200</u>

9. Cash and bank balances

	2018	2017
	£	£
Cash and bank balances	749,032	1,240,206
Total cash and bank balances	<u>749,032</u>	<u>1,240,206</u>

10. Creditors

	2018	2017
	£	£
Amounts payable for cancellation of units	54,165	105,534
Purchases awaiting settlement	-	117,840
Accrued expenses	153,451	179,296
Total creditors	<u>207,616</u>	<u>402,670</u>

11. Reconciliation of units

	Income	Accumulation
	£	£
Opening units issued at 01.12.17	369,963	19,124,590
Units issued	12,500	78,500
Units cancelled	(18,000)	(1,454,000)
Conversions	<u>434</u>	<u>(237)</u>
Closing units at 30.11.18	<u>364,897</u>	<u>17,748,853</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 and outstanding commitments at the balance sheet date (30.11.17: 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 giving long term capital growth and above average 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.

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 30 November 2018

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, 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 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 £10,647,250 (30.11.17: £12,041,033). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £10,647,250 (30.11.17: £12,041,033). 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.

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. 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.

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 £426,335 (30.11.17: £690,534).

Net currency monetary assets and liabilities consist of:

	Portfolio of investments		Net current assets		Net assets	
	£		£		£	
	2018	2017	2018	2017	2018	2017
Sterling	102,493,148	113,852,905	793,343	1,306,812	103,286,491	115,159,717
Euro	2,590,335	2,848,737	62,646	102,462	2,652,981	2,951,199
Swiss Franc	-	930,458	10,874	10,431	10,874	940,889
US dollar	1,389,015	2,778,234	210,483	235,022	1,599,498	3,013,256
Total	106,472,498	120,410,334	1,077,346	1,654,727	107,549,844	122,065,061

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 30 November 2018

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 £426,335 (30.11.17: £690,534).

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 0.70% (1.02% as at 30 November 2017) of the Fund's assets by value were interest bearing.

In the event of a change in interest rates, there would be no material impact upon the assets of the Fund.

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 Group plc.

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

At the year end, the Manager and its associates held 0.04% (0.04% as at 30 November 2017) 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 £120,175 (£137,323 as at 30 November 2017) are due to the Manager.

At the year end the Fund held £5,443,864 (£6,410,073 as at 30 November 2017) in HSBC Holdings, the parent company of the Manager. During the period transactions in HSBC Holdings totalled £1,591,541 (£3,505,349 as at 30 November 2017) There were no units held by the Trustee or its associates.

There were no other material unitholders at the year end.

The Manager does not have information to determine if individuals' holdings within the nominee accounts are material.

Related party transactions are disclosed within the Portfolio Statement.

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 30 November 2018

17. Portfolio transaction costs

For the year ended 30 November 2018

	Purchases	Commissions		Taxes	
	£	£	%	£	%
Analysis of total purchase costs					
Equity transactions	43,180,283	13,321	0.03	217,278	0.50
Total purchases before transaction costs	<u>43,180,283</u>	<u>13,321</u>		<u>217,278</u>	
Transaction costs	<u>230,599</u>				
Total purchases after commission and tax	<u><u>43,410,882</u></u>				

	Sales	Commissions		Taxes	
	£	£	%	£	%
Analysis of total sales costs					
Equity transactions	48,329,745	14,517	0.03	267	-
Corporate actions	<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sales before transaction costs	<u>48,329,798</u>	<u>14,517</u>		<u>267</u>	
Transaction costs	<u>(14,784)</u>				
Total sales after Commission and Tax	<u><u>48,315,014</u></u>				

Commissions and taxes as % of average Net Assets

Commissions	0.02%
Taxes	0.19%

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 0.08%, being the difference between the respective bid and offer valuations 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.

As at 30 November 2018

For the year ended 30 November 2017

	Purchases		Commissions		Taxes	
	£	£	%	£	%	
Analysis of total purchase costs						
Equity transactions	58,902,209	38,333	0.07	264,114	0.45	
Total purchases before transaction costs	58,902,209	38,333		264,114		
Transaction costs	302,447					
Total purchases after commission and tax	59,204,656					

	Sales		Commissions		Taxes	
	£	£	%	£	%	
Analysis of total sales costs						
Equity transactions	63,090,871	43,705	0.07	346	-	
Corporate actions	13	-	-	-	-	
Total sales before transaction costs	63,090,884	43,705		346		
Transaction costs	(44,051)					
Total sales after Commission and Tax	63,046,833					

Commissions and taxes as % of average Net Assets

Commissions	0.07%
Taxes	0.21%

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 0.07%, being the difference between the respective bid and offer valuations 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.

As at 30 November 2018

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 Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016. 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 (ie developed using market data) for the asset or liability, either directly or indirectly.

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

For the year ended 30 November 2018

Category	1	2	3	Total
Investment Assets	£	£	£	
Equities	106,472,498	-	-	106,472,498
	106,472,498	-	-	106,472,498

For the year ended 30 November 2017

Category	1	2	3	Total
Investment Assets	£	£	£	
Equities	120,410,334	-	-	120,410,334
	120,410,334	-	-	120,410,334

19. 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.

As at the year end, no financial derivatives are held (2017: none).

Distribution tables

For the year ended 30 November 2018

Interim

	Net 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 December 2017				
Group 2: Units purchased between 1 December 2017 to 31 May 2018				
Income units				
Group 1	4.8763	-	4.8763	4.5638
Group 2	3.0930	1.7833	4.8763	4.5638
Accumulation units				
Group 1	8.8377	-	8.8377	8.0754
Group 2	5.6056	3.2321	8.8377	8.0754

Final

	Net 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 June 2018				
Group 2: Units purchased between 1 June 2018 to 30 November 2018				
Income units				
Group 1	4.1842	-	4.1842	4.0568
Group 2	2.1842	2.0000	4.1842	4.0568
Accumulation units				
Group 1	7.6871	-	7.6871	7.2683
Group 2	4.0127	3.6744	7.6871	7.2683

Important changes

The following changes were made to the Fund's Prospectus during the reporting period ending 30 November 2018:

Prospectus update 19 December 2017:

- Update to the "Definitions" to include "Financial Crime" wording and amendment to "Trust Deed" wording to verify the relevant document.
- Update to Section 1 "Description of the Fund" to reflect the inclusion of the Fund's Product Reference Number.
- Update to Section 2 "Investment Objectives, Policy and Strategy" ("Investment Strategy" and "Restrictions") and Section 30 "Risks" to include cluster munitions' restriction wording and clarificatory changes.
- Update to Section 3 "Best Execution" wording as per MIFID II requirement.
- Update to Section 6 "Historical Performance" to include the latest performance figures and additional wording to verify which dates performance figures relate to.
- Update to Section 8 "Distributions" to include an amendment to the distribution dates previously stated.
- Update to Section 11 "Manager" to amend references from "Authorised Fund Manager" to "Manager (change also reflected elsewhere throughout the Prospectus) and an update to the directorships for Marks and Spencer Unit Trust Management Limited.
- Update to Section 13 "Trustee" to include addition of conflicts of interest wording.
- Addition of Section 18 "Ongoing charges figure" to include new wording.
- Update to Section 19 "Fees of the Manager" to reflect initial charge wording previously shown in separate section and update to annual management charge wording.
- Update to Section 22 "Client Money" to include clarificatory changes to the wording.
- Update to Section 23 "Purchase and redemption of units" to reflect a change to redemption wording to be consistent with other M&S Funds' wording and new wording added for in specie redemptions and in specie applications. There is also an update to the money laundering wording and a new section on market timing.
- Update to Section 24 "Compulsory Transfer and Redemption" to include clarificatory wording.
- Update to Section 27 "Taxation" to include current information and remove previous outdated wording, a clarificatory change to Capital Gains Tax wording and an amendment to the FATCA wording. The wording on the EU Savings Directive has been removed.
- Update to Section 31 "Other Matters" to show removal of FTSE licencing wording.

Prospectus update 22 June 2018:

- Update to Section 3 "Investment Objective, Policy and Strategy" to provide further clarificatory wording on references to "yield", "UK company" and "reference benchmark". Further details on changes to the yield comparator wording have also been included. The "Additional information" section has been updated to include Benchmark Regulation wording in line with the changes to the Fund Objective and Investment Strategy.
- Update to Section 6 "Historical Performance" to include the latest performance figures.
- Update to Section 13 "Trustee" to reflect the new address of the Trustee.
- Update to Section 18 "Ongoing Charges Figures" (OCF) to include the latest figure and a change to the wording to reflect that the figure is no longer an estimate.

Important changes

The following changes were made to the Fund's Prospectus during the reporting period ending 30 November 2018:

Prospectus update 31 August 2018:

- Update to Section 3 "Investment Objective, Policy and Strategy" in "Additional information" to include the latest Benchmark Regulation wording.
- 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.
- Update to Section 9 "Distributions" to cover the cessation of short reports.
- Update to Section 12 "Manager" to include the latest director information.
- Update to Section 15 "Investment Manager" to reflect the correct postcode for HSBC Global Asset Management (UK) Limited.
- Update to Section 21 "Fund Expenses" 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 latest information and impact for investors.
- Update to Section 31 "Risks" to include risk information on investing in Europe and 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 eligible market names.

The following changes were made to the Fund's Key Investor Information Document (KIID) during the reporting period ending 30 November 2018:

KIID update 19 February 2018

- Update to the "Investment Objectives and Policy" wording to remove reference to the Investment Manager.
- Update to "Risk and reward profile" to include clarificatory wording.
- Update to the "Management company" wording to reflect clarificatory changes.
- Update to "Charges for this Fund" to reflect the current ongoing charges' figure and updated wording to confirm that the ongoing charge is no longer an estimate.
- Updates throughout KIID to reflect references of "Authorised Fund Manager" have been changed to "Manager".

KIID update 22 June 2018

- Update to the "Investment Objectives and Policy" to provide further clarificatory wording on references to "yield", "UK company" and "reference benchmark". Further details on changes to the yield comparator wording have also been included.

We have updated the Fund's Prospectus on 7 December to notify investors that telephone helpline operating hours are changing to 8am to 6pm Monday to Friday (closed weekends and bank holidays). Opening hours may be restricted over the Christmas period. Please contact us for details. If you are calling from abroad, please call +44 1244 688632. Calls are recorded.

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 company.

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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