

# Manager's annual report

For the period 1 December 2023 to 30 November 2024

**THE MARKS AND SPENCER  
UK SELECTION PORTFOLIO**



# Contents

Contents	2
Manager's investment report	4
Portfolio statement	7
Net asset value per unit and comparative table	11
Ongoing charges	13
Risk and reward profile	13
Authorised status	13
Trustee report	14
Statement of the Manager's responsibilities	15
Certification of financial statements by Directors of the Manager	15
Independent auditor's report	16
Statement of total return	20
Statement of change in net assets attributable to Unitholders	20
Balance sheet	21
Notes to the financial statements	22
Distribution tables	32
Important changes	33
Remuneration (Unaudited)	35
The Task Force on Climate-related Financial Disclosures (TCFD)	35
Important information	35

# 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 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 329  
Wymondham  
NR18 8HA

## **Directors of the Manager**

James Coyle (Chairman and non-Executive Director) (resigned 25 April 2024)

Jenny Goldie-Scot (Chairman and Non-Executive Director) (appointed 25 April 2024)

Paul Spencer (Chief Executive Officer and Director) (resigned 5 December 2024)

Colin O'Flaherty (Chief Executive Director) (appointed 3 December 2024)

Phillip Scott (Director)

Simon Calver (Non-Executive Director) (appointed 25 April 2024)

## **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 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.

## **Our objectives and methods**

### **Objective**

The Fund aims to provide capital growth and income in the long term, (five years or more).

### **Policy**

The Fund will invest a minimum of 80% of its value in the shares (equities) of UK companies, including preference shares.

UK companies are deemed to be those that are domiciled or incorporated in the UK, or earn at least 80% of their revenue from the UK.

The Fund may also invest up to 20% of its value in the shares of companies listed on a UK stock exchange that are not UK companies (as defined above). The Fund may invest no more than 10% of its value in the shares of companies that are neither UK companies nor listed on a UK stock exchange.

The Fund is structured to deliver the Objective through its exposure to both large and smaller companies and will hold approximately 40-70 shares.

The Fund may invest up to 10% of its value in collective investment schemes, which the Fund may use to indirectly invest in the shares of UK and other companies. The Fund may also invest in collective investment schemes, money market instruments, deposits and cash to manage day-to-day cash flow requirements. This may include Funds managed or operated by the Investment Manager.

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

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

### **Investment strategy**

The Manager has appointed HSBC Global Asset Management (UK) Limited (the "Investment Manager") to provide investment management services to the Manager in respect of the Fund.

The Investment Manager's investment process aims to identify companies that can be purchased at an attractive valuation, with improving prospects at an appropriate level of risk. The Fund will typically invest in the shares of 40 to 70 companies but the Investment Manager may vary this depending on market conditions and the investment opportunities that are available. The investment process is longer term in nature and as a result stewardship activity is integrated into investment decisions. Further details of the underlying shares in which the Fund is invested can be obtained from the Manager, and will be disclosed in the annual and half yearly accounts.

### **Use of benchmarks**

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

# Manager's investment report (continued)

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

The FTSE All-Share Index has been selected as a benchmark for performance and risk measurement because it is representative of the companies in which the Fund may invest. The Investment Association UK All Companies sector has been selected as a benchmark for performance comparison because it consists of funds similar to the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

## Use of derivatives

The Fund may invest in exchange traded and over-the-counter derivatives in accordance with the investment restrictions. 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.

## Review of the 12 months to 30 November 2024

### Economic and market review

In the global equities space, 2024 had two distinctive periods. In the first half of 2024, investors were still bullish with tech stocks and AI mega trend, pushing cyclical sectors to all-time highs. Then, from the end of July, we saw the beginning of the "great rotation" (i.e. from gains mainly in tech companies/IT sector to other sectors like Utilities, HealthCare and Consumer Staples, which have been lagging behind) and market hypersensitivity to macro news (i.e. around inflation, job/labour market and economic growth data). This movement started to broaden out the gains from tech companies to other sectors that have been left behind. In September, China announced a stimulus packaged that excited investors, and favoured companies exposed to the Chinese market. In November, US elections concluded, with the president-elect campaign pledges impacting the markets, especially in relation to potential deregulation, fewer incentives for renewables and increased trade tariffs.

In the UK, equity markets had strong gains up to May, with the FTSE 100 hitting an all-time-high, however it has traded sideways since then. The positive sentiment brought by the landslide victory of the Labour party in July and the BoE interest rate cut in August, was offset by the autumn budget, which worsened the longer-term outlook for the UK economy. In 2024 up to the end of November, Real Estate, Materials, and Energy sectors were the laggards. On the other hand, Financials, Industrials, Communication Services and Consumer Staples outperformed with gains above 10%. Large caps performed better than small and mid-cap equities.

### Fund Overview

In the last 12 months to November 2024 the fund outperformed its market cap benchmark the FTSE All Share index.

At the stock level, the largest positive contributor to performance was Barclays. The stock outperformed after reporting solid better-than-expected quarterly results, and an increase in interest margins, during the period. Barclays stock price was further boosted by the strong UK and banks sector performance, along with its capital-return program of £10bn that is to be completed over the next 3 years, which was announced earlier in the period. NatWest is a similar story, it outperformed after the bank had reported higher-than-expected profits and strong margins and shown resilience in the higher inflation and interest rate environment, during the period. NatWest's third quarter 2024 reporting, when their earnings beat estimates, also provided upgraded forward guidance from the management. Last but not least, the UK banks having outperformed the wider European banks, which hit recent years peaks, was an additional catalyst to stocks' performance in the past 12 months.

Prudential underperformed and was the largest relative detractor. Early on in January 2024 the 12-month target was downgraded and the concerns around the insurance sector continued to weigh on sentiment for a good part of the period. Prudential reported slower-than-expected first quarter sales performance and it was expected that a greater proportion of their sales would be lower-margin products. As China growth started to fade during the summer, with mainland China and Hong Kong being Prudential's key markets, the company subsequently reported a drop in new business profit that weighed further on the stock.

During the period, Bodycote, A.G. Barr and Raspberry Pi were added to the portfolio, whilst Britvic was removed.

# Manager's investment report (continued)

## Portfolio Performance

During the period under review, the value of the units in the Fund rose by 16.26% while the value of the FTSE All Share Index rose by 15.75%.

(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.

## Outlook

As we approach 2025, rising policy uncertainty, protectionism, and geopolitical tensions signal a more volatile and fragmented global economy. This is the backdrop of a 'multi-polar world' with competing trade blocs. The most significant consequence for investors is a higher and more unpredictable inflation regime. Supply chains are being rerouted, shifting production to potentially higher cost locations. Separately, less international security cooperation will compel governments to spend more on defence, adding to the pressure on public finances. And geopolitical tensions can easily spill over into commodity markets. Structurally higher inflation poses challenges, including for central banks who will be constrained in their easing cycle. This could weigh on growth and profits. In terms of asset allocation, assets currently priced for perfection could be the most exposed, paving the way for a significant shift in market leadership. Previously overlooked sectors are likely to gain traction. This 'great rotation' underscores the need to focus on local fundamentals and be nimble in our approach. The UK market outlook anticipates benefits from a wide valuation discount relative to other regions but stocks are vulnerable to volatility driven by slowing global growth. Concerns over fiscal largesse following the autumn budget may have dampened sentiment.

# Portfolio statement

This section details all the different companies in which the Fund invests, by sector and country. 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 2024

	Holding or nominal value of positions as at 30 November 2024	Bid Value (£)	% of Net Total Assets
<b>UK EQUITIES AND CONVERTIBLES (96.26%; 30.11.23 97.87%)</b>			
<b>OIL &amp; GAS (12.24%; 30.11.23 15.34%)</b>			
<b>Oil &amp; gas producers</b>			<b>12.24</b>
BP	1,058,587	4,071,326	4.34
Shell	293,208	7,421,094	7.90
<b>Total Oil &amp; Gas</b>		<b>11,492,420</b>	<b>12.24</b>
<b>BASIC MATERIALS (5.53%; 30.11.23 6.69%)</b>			
<b>Chemicals</b>			<b>0.45</b>
Victrex	48,568	418,656	0.45
<b>Mining</b>			<b>5.08</b>
Antofagasta	99,707	1,696,515	1.80
Rio Tinto	62,424	3,079,376	3.28
<b>Total Basic materials</b>		<b>5,194,547</b>	<b>5.53</b>
<b>INDUSTRIALS (18.53%; 30.11.23 15.91%)</b>			
<b>Aerospace &amp; defence</b>			<b>6.60</b>
BAE Systems	267,110	3,274,769	3.49
Chemring	337,084	1,194,963	1.27
QinetiQ	416,500	1,728,475	1.84
<b>Construction &amp; materials</b>			<b>1.07</b>
Ibstock	541,832	1,008,891	1.07
<b>General industrials</b>			<b>2.86</b>
Coats Group	1,091,161	1,049,697	1.12
Smurfit Westrock	37,717	1,630,883	1.74
<b>Industrial Engineering</b>			<b>0.66</b>
Bodycote	100,227	619,403	0.66
<b>Support services</b>			<b>7.34</b>
DCC (London listed)	21,047	1,204,941	1.28
Hays	635,783	498,772	0.53
Intertek	41,738	1,967,529	2.10
Rentokil Initial	473,198	1,863,454	1.98
Volution Group	244,326	1,358,453	1.45
<b>Total Industrials</b>		<b>17,400,230</b>	<b>18.53</b>

# Portfolio statement (continued)

This section details all the different companies in which the Fund invests, by sector and country. 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 2024

	Holding or nominal value of positions as at 30 November 2024	Bid Value (£)	% of Net Total Assets
<b>CONSUMER GOODS (10.99%; 30.11.23 12.94%)</b>			
<b>Beverages</b>			<b>1.02</b>
A.C. Barr	44,481	274,448	0.29
Diageo	29,143	685,443	0.73
<b>Food producers</b>			<b>1.78</b>
Tate & Lyle	226,998	1,672,975	1.78
<b>Household goods</b>			<b>3.16</b>
Barratt Redrow	299,354	1,277,643	1.36
Taylor Wimpey	1,291,543	1,691,276	1.80
<b>Personal goods</b>			<b>2.41</b>
Unilever	48,091	2,260,277	2.41
<b>Tobacco</b>			<b>2.62</b>
Imperial Brands	95,748	2,458,809	2.62
<b>Total Consumer Goods</b>		<b>10,320,871</b>	<b>10.99</b>
<b>HEALTHCARE (9.65%; 30.11.23 10.02%)</b>			
<b>Pharmaceuticals &amp; biotechnology</b>			<b>9.65</b>
AstraZeneca	38,119	4,044,426	4.31
GSK	266,990	3,562,981	3.79
Hikma Pharmaceuticals	75,827	1,458,911	1.55
<b>Total Healthcare</b>		<b>9,066,318</b>	<b>9.65</b>
<b>CONSUMER SERVICES (10.37%; 30.11.23 12.41%)</b>			
<b>General retailers</b>			<b>2.51</b>
Next	23,427	2,361,442	2.51
<b>Food &amp; drug retailers</b>			<b>3.13</b>
Tesco	801,609	2,937,095	3.13
<b>Media</b>			<b>0.80</b>
Moneysupermarket.com	382,717	750,125	0.80
<b>Travel &amp; leisure</b>			<b>3.93</b>
Compass Group	137,299	3,693,343	3.93
<b>Total Consumer Services</b>		<b>9,742,005</b>	<b>10.37</b>
<b>UTILITIES (4.49%; 30.11.23 3.65%)</b>			
<b>Electricity</b>			<b>4.49</b>
Drax	275,628	1,837,061	1.96
SSE	134,147	2,376,414	2.53
<b>Total Utilities</b>		<b>4,213,475</b>	<b>4.49</b>



# Portfolio statement (continued)

This section details all the different companies in which the Fund invests, by sector and country. 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 2024

	Holding or nominal value of positions as at 30 November 2024	Bid Value (£)	% of Net Total Assets
<b>FINANCIALS (18.59%; 30.11.23 15.40%)</b>			
<b>Banks</b>			<b>12.76</b>
Barclays	1,424,666	3,758,269	4.00
HSBC Holdings*	689,783	5,054,040	5.38
NatWest Group	787,693	3,172,040	3.38
<b>Life insurance</b>			<b>3.65</b>
Phoenix Group	354,271	1,820,953	1.94
Prudential	249,753	1,602,415	1.71
<b>Financial services</b>			<b>2.18</b>
IG Group Holdings	213,666	2,045,852	2.18
<b>Total Financials</b>		<b>17,453,569</b>	<b>18.59</b>
<b>TECHNOLOGY (5.87%; 30.11.23 5.51%)</b>			
<b>Software &amp; computer services</b>			<b>5.87</b>
FDM Group	94,893	305,555	0.33
Raspberry Pi	73,943	265,603	0.28
Rightmove	342,507	2,208,485	2.35
Sage	208,654	2,736,497	2.91
<b>Total Technology</b>		<b>5,516,140</b>	<b>5.87</b>
<b>Total UK Equities &amp; Convertibles</b>		<b>90,399,575</b>	<b>96.26</b>
<b>OVERSEAS EQUITIES &amp; CONVERTIBLES (3.13%; 30.11.23 1.38%)</b>			
<b>Australia (1.06%; 30.11.23 1.38%)</b>			<b>1.06</b>
BHP Group	47,834	994,947	1.06
<b>United States (2.07%; 30.11.23 0.00%)</b>			<b>2.07</b>
Ferguson Enterprises	11,501	1,947,119	2.07
<b>Total Overseas Equities &amp; Convertibles</b>		<b>2,942,066</b>	<b>3.13</b>
<b>FUTURES CONTRACTS (0.01%; 30.11.23 0.00%)</b>			
ICF FTSE 100 Index Future December 2024	4	5,520	0.01
ICF FTSE 250 Index Future December 2024	8	480	-
<b>Total Futures Contracts</b>		<b>6,000</b>	<b>0.01</b>

# Portfolio statement (continued)

This section details all the different companies in which the Fund invests, by sector and country. 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 2024

	Holding or nominal value of positions as at 30 November 2024	Bid Value (£)	% of Net Total Assets
<b>Portfolio of investments</b>		<b>93,347,641</b>	<b>99.40</b>
<b>Net other assets</b>		<b>561,506</b>	<b>0.60</b>
<b>Net assets</b>		<b>93,909,147</b>	<b>100.00</b>

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

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

The counterparty for the futures is HSBC.

# 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	30.11.24	30.11.23	30.11.22
Opening net asset value per unit	324.30p	327.78p	314.27p
Return before operating charges*	56.01p	10.26p	27.53p
Operating charges**	(3.25p)	(3.29p)	(2.97p)
Return after operating charges*	52.76p	6.97p	24.56p
Distributions on income unit	(10.58p)	(10.45p)	(11.05p)
Closing net asset value per unit	366.48p	324.30p	327.78p
*after direct transaction costs of***	0.11p	0.29p	0.24p

## Performance

Return after charges	16.27%	2.13%	7.81%
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## Other information

Closing net asset value	£1,001,403	£1,038,490	£1,129,285
Closing number of units	273,246	320,228	344,527
Operating charges	0.98%	0.98%	0.99%
Direct transaction costs	0.03%	0.09%	0.08%

## Prices

Highest unit price	380.09p	354.40p	341.60p
Lowest unit price	324.23p	316.30p	298.90p

\*\* 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	30.11.24	30.11.23	30.11.22
Opening net asset value per unit	692.75p	678.35p	629.32p
Return before operating charges*	119.75p	21.26p	55.02p
Operating charges**	(7.03p)	(6.86p)	(5.99p)
Return after operating charges*	112.72p	14.40p	49.03p
Distributions on accumulation unit	(22.76p)	(21.80p)	(22.32p)
Retained distributions on accumulation unit	22.76p	21.80p	22.32p
Closing net asset value per unit	805.47p	692.75p	678.35p
*after direct transaction costs of***	0.25p	0.60p	0.48p

## Performance

Return after charges	16.27%	2.12%	7.79%
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## Other information

Closing net asset value	£92,907,744	£89,759,622	£94,089,057
Closing number of units	11,534,651	12,957,079	13,870,356
Operating charges	0.98%	0.98%	0.99%
Direct transaction costs	0.03%	0.09%	0.08%

## Prices

Highest unit price	823.15p	733.40p	690.20p
Lowest unit price	692.58p	664.60p	608.80p

\*\* 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.

# Ongoing charges

For the 12 month period to 30 November 2024: **0.98%**

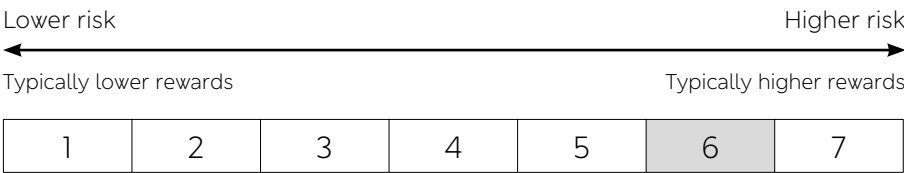
For the 12 month period to 30 November 2023: **0.98%**

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



## 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.

# 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 and Spencer UK Selection Portfolio ('the Trust') for the Period Ended 30 November 2024.**

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**  
**21 February 2025**

# 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.



Colin O'Flaherty (Chief Executive)



Phillip Scott (Director)

For and on behalf of Marks and Spencer Unit Trust Management Limited.  
21 February 2025

# 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 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 22 and 23.

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 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; and
- 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 14, 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](http://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

**21 February 2025**

# 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 2024

	Notes	30.11.24		30.11.23	
		£	£	£	£
Income					
Net capital gains/(losses)	2		11,451,233		(885,212)
Revenue	3	3,693,379		3,901,939	
Expenses	4	(861,577)		(934,679)	
Interest payable and similar charges		-		(14)	
Net revenue before taxation		2,831,802		2,967,246	
Taxation	5	(1,073)		9	
Net revenue after taxation			2,830,729		2,967,255
<b>Total return before distributions</b>			<b>14,281,962</b>		<b>2,082,043</b>
Distributions/Accumulations	6		(2,830,719)		(2,967,349)
<b>Change in net assets attributable to Unitholders</b>			<b>11,451,243</b>		<b>(885,306)</b>

# Statement of change in net assets attributable to Unitholders

## For the year ended 30 November 2024

	30.11.24		30.11.23	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		<b>90,798,112</b>		<b>95,218,342</b>
Amounts receivable on issue of units	212,803		616,910	
Less: Amounts payable on cancellation of units	(11,280,935)		(7,035,676)	
		(11,068,132)		(6,418,766)
Change in net assets attributable to Unitholders from investment activities (see above)		11,451,243		(885,306)
Retained distribution on accumulation units		2,727,924		2,883,842
<b>Closing net assets attributable to Unitholders</b>		<b>93,909,147</b>		<b>90,798,112</b>

The notes on pages 22 to 31 are an integral part of these financial statements.

# Balance sheet

As at 30 November 2024

	Notes	30.11.24		30.11.23	
		£	£	£	£
<b>ASSETS</b>					
<b>Fixed assets:</b>					
Investments			93,347,641		90,113,586
<b>Current assets:</b>					
Debtors	8	406,998		399,904	
Cash and bank balances	9	439,132		521,832	
<b>Total Current assets</b>			<b>846,130</b>		<b>921,736</b>
<b>TOTAL ASSETS</b>			<b>94,193,771</b>		<b>91,035,322</b>
<b>LIABILITIES</b>					
<b>Investment liabilities</b>			-		(815)
<b>Creditors:</b>					
Bank overdrafts		-		(2)	
Distribution payable		(12,199)		(15,639)	
Other creditors	10	(272,425)		(220,754)	
<b>Total Creditors</b>			<b>(284,624)</b>		<b>(236,395)</b>
<b>TOTAL LIABILITIES</b>			<b>(284,624)</b>		<b>(237,210)</b>
<b>Net assets attributable to Unitholders</b>			<b>93,909,147</b>		<b>90,798,112</b>

The notes on pages 22 to 31 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 30 November 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 FRS 102 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 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 29 November 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 30 November 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 November 2024, being the last working day of the accounting year.

## For the year ended 30 November 2024

### 2. Net capital gains/(losses) on investments

	30.11.24 £	30.11.23 £
The net capital gains/(losses) on investments during the year comprise:		
Transaction charges	(15,287)	(1,186)
Currency losses	(2,124)	-
Gains/(losses) on non-derivative securities	11,407,800	(792,707)
Gains/(losses) on derivative contracts	60,844	(91,319)
<b>Net capital gains/(losses) on investments</b>	<b>11,451,233</b>	<b>(885,212)</b>
Amounts included in net gains on investments in respect of special dividends which were treated as capital	<b>112,200</b>	-

### 3. Revenue

	30.11.24 £	30.11.23 £
UK dividends	3,486,040	3,658,173
Overseas dividends	190,625	223,331
Bank interest	16,714	20,435
<b>Total revenue</b>	<b>3,693,379</b>	<b>3,901,939</b>

# 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 30 November 2024

#### 4. Expenses

	30.11.24 £	30.11.23 £
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	864,613	859,809
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Trustee fee	11,518	11,461
Safe custody fee	(57,405)	21,132
	<b>(45,887)</b>	<b>32,593</b>
Other expenses:		
Registration fee	30,339	33,025
Audit fee	13,776	8,880
FCA fee	(1,264)	372
	<b>42,851</b>	<b>42,277</b>
	<b>861,577</b>	<b>934,679</b>

#### 5. Taxation

##### (a) Analysis of charge in year

	30.11.24 £	30.11.23 £
Overseas tax	1,073	(9)
<b>Total tax charge for year (note 5b)</b>	<b>1,073</b>	<b>(9)</b>

##### (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:

	30.11.24 £	30.11.23 £
Net revenue before taxation	2,831,802	2,967,246
Corporation tax at 20%	566,360	593,449
Effects of:		
Revenue not subject to taxation	(735,333)	(776,301)
Current year expenses not utilised	168,973	182,852
Irrecoverable overseas tax	1,073	(9)
<b>Current tax charge for year (note 5a)</b>	<b>1,073</b>	<b>(9)</b>

##### (c) Provision for deferred taxation

At 30 November 2024 there is a potential deferred tax asset of £9,629,097 (30.11.23: £9,460,124) in relation to surplus management expenses of £48,145,483 (30.11.23: £47,300,619). 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 30 November 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:

	30.11.24	30.11.23
	£	£
Interim dividend distribution	1,629,468	1,570,750
Final dividend distribution	1,130,426	1,347,406
	<hr/> 2,759,894	<hr/> 2,918,156
 Add: Amount deducted on cancellation of units	 71,706	 52,581
Deduct: Income received on issue of units	(881)	(3,388)
<b>Net distribution for the year</b>	<hr/> <b>2,830,719</b>	<hr/> <b>2,967,349</b>

#### 7. Movement between net revenue and distributions

	30.11.24	30.11.23
	£	£
Net revenue after taxation	2,830,729	2,967,255
Movement in net income property	(10)	94
<b>Net distribution</b>	<hr/> <b>2,830,719</b>	<hr/> <b>2,967,349</b>

#### 8. Debtors

	30.11.24	30.11.23
	£	£
Accrued revenue	400,314	368,491
Overseas tax recoverable	6,684	31,413
<b>Total debtors</b>	<hr/> <b>406,998</b>	<hr/> <b>399,904</b>

#### 9. Cash and bank balances

	30.11.24	30.11.23
	£	£
Cash and bank balances	414,005	399,413
Amounts held at derivative clearing houses and brokers	25,127	122,419
<b>Total cash and bank balances</b>	<hr/> <b>439,132</b>	<hr/> <b>521,832</b>

#### 10. Creditors

	30.11.24	30.11.23
	£	£
Amounts payable for cancellation of units	184,773	61,544
Accrued expenses	87,652	159,210
<b>Total creditors</b>	<hr/> <b>272,425</b>	<hr/> <b>220,754</b>

# 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 30 November 2024

### 11. Reconciliation of units

	Income	Accumulation
Opening units issued at 01.12.23	320,228	12,957,079
Units issued	3,100	26,500
Units cancelled	(88,000)	(1,431,200)
Units converted	37,918	(17,728)
<b>Closing units at 30.11.24</b>	<b>273,246</b>	<b>11,534,651</b>

### 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 (30.11.23: 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 giving long term capital growth and above average income.

The Manager may use derivative transactions for the purpose of efficient portfolio management (EPM).

Permitted transactions include derivatives transactions (involving options, futures and contracts for differences), or forward transactions in a currency.

Overall responsibility for the Marks & 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 (UK) Ltd, 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 30 November 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 £9,334,764 (30.11.23: £9,011,277). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £9,334,764 (30.11.23: £9,011,277). 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 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/(liabilities)		Net assets	
	£		£		£	
	30.11.24	30.11.23	30.11.24	30.11.23	30.11.24	30.11.23
Sterling	93,347,641	90,112,771	343,587	445,816	93,691,228	90,558,587
Euro	-	-	6,684	31,412	6,684	31,412
US dollar	-	-	211,235	208,113	211,235	208,113
<b>Total</b>	<b>93,347,641</b>	<b>90,112,771</b>	<b>561,506</b>	<b>685,341</b>	<b>93,909,147</b>	<b>90,798,112</b>

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 £21,792 (30.11.23: £23,953). 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 £21,792 (30.11.23: £23,953).

### 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 0.47% (30.11.23: 0.57%) 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 30 November 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. 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 0.07% (30.11.23: 0.06%) 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 £68,994 (30.11.23: £67,286) are due to the Manager.

At the year end the Fund held £5,054,040 (30.11.23: £4,144,631) in HSBC Holdings, the parent company of the Manager. During the period transactions in HSBC Holdings totalled £788,996 (30.11.23: £160,404).

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 30 November 2024

#### 16. Portfolio of transaction costs

##### For the year ended 30 November 2024

	Value £	Commissions £ %	Taxes £ %	Other expenses £ %
<b>Analysis of total purchase costs</b>				
Equity transactions	4,864,782	1,513 0.03	17,578 0.36	6,782 0.14
Total purchases before transaction costs	<b>4,864,782</b>	<b>1,513</b>	<b>17,578</b>	<b>6,782</b>
Transaction costs	<b>25,873</b>			
Total purchases after commission and tax	<b>4,890,655</b>			

	Value £	Commissions £ %	Taxes £ %	Other expenses £ %
<b>Analysis of total sales costs</b>				
Equity transactions	12,959,818	3,840 0.03	- -	275 -
Total sales before transaction costs	<b>12,959,818</b>	<b>3,840</b>	<b>-</b>	<b>275</b>
Transaction costs	<b>(4,115)</b>			
Total sales after commission and tax	<b>12,955,703</b>			

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

Commissions	0.01%
Taxes	0.01%
Other expenses	0.01%

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 0.05%, being the difference between the respective bid and offer prices for the Fund's 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 30 November 2024

#### 16. Portfolio of transaction costs (continued)

##### For the year ended 30 November 2023

	Value £	Commissions £ %	Taxes £ %	Other expenses £ %
<b>Analysis of total purchase costs</b>				
Equity transactions	14,240,713	3,621 0.03	49,234 0.35	22,019 0.15
Total purchases before transaction costs	<b>14,240,713</b>	<b>3,621</b>	<b>49,234</b>	<b>22,019</b>
Transaction costs	<b>74,874</b>			
Total purchases after commission and tax	<b>14,315,587</b>			

	Value £	Commissions £ %	Taxes £ %	Other expenses £ %
<b>Analysis of total sales costs</b>				
Equity transactions	17,655,832	4,133 0.02	- -	153 -
Total sales before transaction costs	<b>17,655,832</b>	<b>4,133</b>	<b>-</b>	<b>153</b>
Transaction costs	<b>(4,286)</b>			
Total sales after commission and tax	<b>17,651,546</b>			

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

Commissions	0.01%
Taxes	0.05%
Other expenses	0.02%

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 0.05%, being the difference between the respective bid and offer prices for the Fund's 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 30 November 2024

### 17. 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 30 November 2024

Category	1	2	3	Total
Investment Assets	£	£	£	£
Equities	93,341,641	-	-	93,341,641
Derivatives	6,000	-	-	6,000
	<b>93,347,641</b>	<b>-</b>	<b>-</b>	<b>93,347,641</b>

#### For the year ended 30 November 2023

Category	1	2	3	Total
Investment Assets	£	£	£	£
Equities	90,111,118	-	-	90,111,118
Derivatives	2,468	-	-	2,468
	<b>90,113,586</b>	<b>-</b>	<b>-</b>	<b>90,113,586</b>

#### Investment Liabilities

Derivatives	(815)	-	-	(815)
	<b>(815)</b>	<b>-</b>	<b>-</b>	<b>(815)</b>

### 18. Stock lending activities

The Fund does not currently undertake stock lending.

### 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.

### 20. Post balance sheet events

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 30 November 2024

Group 1: Units purchased prior to 1 December 2023

Group 2: Units purchased between 1 December 2023 to 31 May 2024

Interim	Net income 2024 pence per unit	Equalisation 2024 pence per unit	Distribution paid 2024 pence per unit	Distribution paid 2023 pence per unit
<b>Income units</b>				
Group 1	6.1161	-	6.1161	5.5694
Group 2	3.6528	2.4633	6.1161	5.5694
<b>Accumulation units</b>				
Group 1	13.0649	-	13.0649	11.5260
Group 2	7.8030	5.2619	13.0649	11.5260

Group 1: Units purchased prior to 1 June 2024

Group 2: Units purchased between 1 June 2024 to 30 November 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
<b>Income units</b>				
Group 1	4.4644	-	4.4644	4.8837
Group 2	2.5151	1.9493	4.4644	4.8837
<b>Accumulation units</b>				
Group 1	9.6945	-	9.6945	10.2783
Group 2	5.4616	4.2329	9.6945	10.2783



# Important changes

**The following changes were made to the Fund's Prospectus during the annual reporting period ending 30 November 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 30 November 2022.
- 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 30 November 2022.
- 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 “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.

## **Prospectus Update 10 June 2024**

- Update to the section “Definitions” to amend the definition for “Stewardship”.
- Update to the section “Investment Objective, Policy and Strategy” to amend references to the number of companies the Fund may invest in from 35 to 45 to 40 to 70. The ‘Impact of Brexit on the rolling out of BMR in the UK’ section has been updated.
- Update to the section “Best Execution” to amend the address for the Savings and Investments Team.
- Update to the section “Fund Property – Exercising Voting Rights” to amend the address for the Savings and Investments Team.
- Update to the section “Historical Performance” to add the performance for the Fund and Benchmark for the annual accounting period ending 30 November 2023.
- Update to the section “Fund Documentation” to amend the address for the Savings and Investments Team.
- Update to the section “Distributions” to amend the website address for where to access documentation for the Fund.
- Update to the section “Manager” to amend the list of Directors for Marks and Spencer Unit Trust Management Limited.
- Update to the section “Ongoing Charges Figure” to update the ongoing charges information as at 30 November 2023.
- Update to the section “Valuation of Fund Property” to amend the website address for where to access documentation for the Fund.
- Update to the section “Purchase and Redemption of Units” to amend the address for the Savings and Investments Team. The website address for where to access documentation for the Fund has been amended.
- Update to the section “Taxation” to update the tax year references and allowance for dividend distributions. The ‘Common Reporting Standard’ section has been updated.

# Important changes (continued)

- Update to the section “Risks” to amend the risk wording for “Sustainable Funds and Environment, Social and Governance (ESG) data”.
- Update to the section “Integration of Sustainability Risks into Investment Decisions” to reflect the current position.
- Update to the section “Other Matters” to amend the website address for where to access documentation for the Fund.

**The following changes were made to the Fund’s Key Investor Information Document during the reporting period ending 30 November 2024:**

**KIID update 13 February 2024**

- Update to “Charges” to update the Ongoing Charge figure and the ongoing charge date.
- Update to “Past Performance” to add performance figures for the Fund and Benchmark for 2023.

**KIID update 10 June 2024**

- Update to “Objectives and Investment Policy” to update the number of stocks the Fund may invest in.
- Update to “Charges” to update the Ongoing Charge figure and the ongoing charge date.
- Update to “Practical Information” to amend the address for the M&S Savings and Investments team.

# 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.

M&S Savings and Investments is a trading name of Marks and Spencer Unit Trust Management Limited. Registered in England No. 2253009. Registered office: Kings Meadow, Chester Business Park, Chester CH99 9FB. Authorised and regulated by the Financial Conduct Authority. Marks and Spencer Unit Trust Management Limited is part of the HSBC group. Marks and Spencer is a registered trademark of Marks and Spencer plc and is used under licence © Marks and Spencer Unit Trust Management Limited 2025. All rights reserved. Marks and Spencer Unit Trust Management Limited is entered in the Financial Services Register under reference number 141662. Calls may be recorded for mutual security, training and monitoring purposes.