

Manager's interim report

For the period 1 December 2023 to 31 May 2024 (unaudited)

**THE MARKS AND SPENCER
UK SELECTION PORTFOLIO**



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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

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Registered in England
No. 2253009

Correspondence address

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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)

Phillip Scott (Director)

Peter Dew (Non-Executive 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.

Manager's Report of the 6 months to 31 May 2024

Economic and market review

From the start of the period to the end of the first quarter UK equities lagged the performance of other European indices. April, however, saw the FTSE All Share index outperform other major indices and the market finished the period on a stronger note. Sterling made gains against the Euro which held back the internationally exposed larger companies. The UK economy rebounded strongly in the first quarter of 2024, recording GDP growth of 0.6%, beating market expectations and the Bank of England's most recent prediction of 0.4%. Headline inflation fell sharply to 2.3% in early second quarter of 2024, the lowest since July 2021 indicating the Consumer Price Index (CPI) is trending back towards the target. This decline was mainly a result of the fall in the energy prices, but food inflation also continued to ease. However, service sector inflation remains sticky due to continued high wage growth. Consumer spending remained sluggish.

UK equities were up in May with the FTSE 100 reaching fresh all-time highs driven by a stronger economy, falling inflation and accelerating mergers and acquisitions. Among sectors, Industrials, Health Care and Financials strongly outperformed. On 22 May, following positive announcements on inflation and economic growth, Prime Minister Rishi Sunak unexpectedly announced a general election to be held on 4 July.

Fund Overview

Over the period the Fund delivered a strong positive gross return of 15.72% outperformed the FTSE All-Share index by 2.13%. Compared to the market, portfolio sector allocation was positive over the review period, especially due to the overweight exposure to Industrials. Stock selection effects were particularly strong and mostly driven by selections within Financials, Consumer Staples and Utilities sectors.

Turning to stock level, the largest positive contributor to performance was Barclays. The stock outperformed after its substantial capital investment into their investment bank, and the recent changes in the capital allocation have pleased the market reflecting in strong returns in the period. Rolls-Royce was the largest relative detractor – The company's results met investors expectations which supported the stock gains. However, after rising over 200% in 2023, its valuation discount compared to peers has significantly decreased.

During the period, positions were initiated in Bodycote Plc and no positions were exited.

Outlook

2024 to date has seen market participants reduce down the number of expected central bank rate cuts and the size of expected reduction, particularly as far as the US Fed is concerned. Now only one or two US rates cuts are expected before year end, the result of firm economic data and inflation which has been stickier than expected. This scenario has not necessarily applied elsewhere. In Continental Europe, the European Central Bank (ECB) has already made one rate cut, while in the UK the Bank of England (BoE) Monetary Policy Committee has been on hold, but has nonetheless set the scene for interest rate reductions to come, possibly starting in August. The UK election results will be known on 5 July and, assuming a Labour party majority is the outcome (which seems likely based on opinion polls), we may see a more settled period start. This will likely be good for financial markets. Beyond this, markets will also be keen to see what happens to fiscal policy in the autumn. This, in turn, will partly determine what happens to interest rates in the longer term.

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 period (shown under bid value).

As at 31 May 2024

	Holding or nominal value of positions as at 31 May 2024	Bid Value (£)	% of Net Total Assets
UK EQUITIES AND CONVERTIBLES (97.03%; 30.11.23 97.87%)			
OIL & GAS (14.14%; 30.11.23 15.34%)			
Oil & gas producers			14.14
BP	1,110,227	5,419,018	5.45
Shell	307,511	8,645,672	8.69
Total Oil & Gas		14,064,690	14.14
BASIC MATERIALS (6.57%; 30.11.23 6.69%)			
Chemicals			0.66
Victrex	50,937	655,050	0.66
Mining			5.91
Antofagasta	104,570	2,302,631	2.31
Rio Tinto	65,468	3,584,373	3.60
Total Basic materials		6,542,054	6.57
INDUSTRIALS (18.05%; 30.11.23 15.91%)			
Aerospace & defence			7.25
BAE Systems	280,140	3,898,148	3.92
Chemring	353,527	1,364,614	1.37
QinetiQ	436,818	1,952,576	1.96
Construction & materials			0.91
Ibstock	568,263	909,221	0.91
General industrials			2.50
Coats Group	1,144,390	980,742	0.98
Smurfit Kappa	39,556	1,510,248	1.52
Industrial Engineering			0.07
Bodycote	8,567	64,595	0.07
Support services			7.32
DCC (London listed)	22,073	1,255,954	1.27
Hays	666,798	718,808	0.72
Intertek	43,773	2,089,723	2.10
Rentokil Initial	496,281	2,055,596	2.07
Volution Group	256,244	1,155,660	1.16
Total Industrials		17,955,885	18.05

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 period (shown under bid value).

As at 31 May 2024

	Holding or nominal value of positions as at 31 May 2024	Bid Value (£)	% of Net Total Assets
CONSUMER GOODS (11.51%; 30.11.23 12.94%)			
Beverages			2.14
Britvic	109,464	1,056,875	1.06
Diageo	40,582	1,067,307	1.08
Food producers			1.65
Tate & Lyle	238,071	1,646,261	1.65
Household goods			3.59
Barratt Developments	313,956	1,579,827	1.59
Taylor Wimpey	1,354,547	1,989,830	2.00
Personal goods			2.17
Unilever	50,436	2,157,148	2.17
Tobacco			1.96
Imperial Brands	100,418	1,949,113	1.96
Total Consumer Goods		11,446,361	11.51
HEALTHCARE (10.90%; 30.11.23 10.02%)			
Pharmaceuticals & biotechnology			10.90
AstraZeneca	39,978	4,871,719	4.90
GSK	280,014	4,945,047	4.97
Hikma Pharmaceuticals	53,126	1,024,801	1.03
Total Healthcare		10,841,567	10.90
CONSUMER SERVICES (11.18%; 30.11.23 12.41%)			
General retailers			4.47
Ferguson Newco	12,062	1,917,858	1.93
Next	27,106	2,531,158	2.54
Food & drug retailers			2.63
Tesco	840,713	2,614,617	2.63
Media			0.91
Moneysupermarket.com	401,386	902,316	0.91
Travel & leisure			3.17
Compass Group	143,997	3,154,974	3.17
Total Consumer Services		11,120,923	11.18
UTILITIES (3.52%; 30.11.23 3.65%)			
Electricity			3.52
Drax	289,073	1,498,844	1.51
SSE	114,334	2,002,560	2.01
Total Utilities		3,501,404	3.52

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 period (shown under bid value).

As at 31 May 2024

	Holding or nominal value of positions as at 31 May 2024	Bid Value (£)	% of Net Total Assets
FINANCIALS (16.54%; 30.11.23 15.40%)			
Banks			10.56
Barclays	1,494,164	3,284,920	3.30
HSBC Holdings*	662,803	4,615,097	4.64
NatWest Group	826,118	2,602,272	2.62
Life insurance			3.82
Phoenix Group	371,553	1,843,646	1.85
Prudential	261,936	1,956,662	1.97
Financial services			2.16
IG Group Holdings	265,363	2,148,113	2.16
Total Financials		16,450,710	16.54
TECHNOLOGY (4.62%; 30.11.23 5.51%)			
Software & computer services			4.62
FDM Group	99,522	447,849	0.45
Rightmove	359,215	1,914,616	1.92
Sage	218,832	2,237,557	2.25
Total Technology		4,600,022	4.62
Total UK Equities & Convertibles		96,523,616	97.03
OVERSEAS EQUITIES & CONVERTIBLES (1.17%; 30.11.23 1.38%)			
Australia (1.17%; 30.11.23 1.38%)			1.17
BHP Group	50,166	1,163,851	1.17
Total Overseas Equities & Convertibles		1,163,851	1.17
FUTURES CONTRACTS (0.01%; 30.11.23 0.00%)			
ICF FTSE 100 Index Future June 2024	8	1,345	-
ICF FTSE 250 Index Future June 2024	17	8,837	0.01
Total Futures Contracts		10,182	0.01
Portfolio of investments		97,697,649	98.21
Net other assets		1,777,486	1.79
Net assets		99,475,135	100.00

*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.

Total purchases for the period, including transaction charges, were £2,145,254.

Total sales proceeds, for the period net of transaction charges were £6,131,768.

Net asset value per unit and comparative table

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

Income

Change in net assets per unit	31.05.24	30.11.23	30.11.22	30.11.21
Opening net asset value per unit	324.30p	327.78p	314.27p	280.56p
Return before operating charges*	50.66p	10.26p	27.53p	45.11p
Operating charges**	(1.48p)	(3.29p)	(2.97p)	(3.37p)
Return after operating charges*	49.18p	6.97p	24.56p	41.74p
Distributions on income unit	(6.12p)	(10.45p)	(11.05p)	(8.03p)
Closing net asset value per unit	367.36p	324.30p	327.78p	314.27p
*after direct transaction costs of:***	0.05p	0.29p	0.24p	0.28p

Performance

Return after charges	15.16%	2.13%	7.81%	14.88%
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Other information

Closing net asset value	£1,187,536	£1,038,490	£1,129,285	£1,110,666
Closing number of units	323,259	320,228	344,527	353,406
Operating charges	0.99%	0.98%	0.99%	1.00%
Direct transaction costs	0.02%	0.09%	0.08%	0.09%

Prices

Highest unit price	380.09p	354.40p	341.60p	334.80p
Lowest unit price	324.23p	316.30p	298.90p	280.50p

** 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	31.05.24	30.11.23	30.11.22	30.11.21
Opening net asset value per unit	692.75p	678.35p	629.32p	547.91p
Return before operating charges*	108.14p	21.26p	55.02p	88.02p
Operating charges**	(3.15p)	(6.86p)	(5.99p)	(6.61p)
Return after operating charges*	104.99p	14.40p	49.03p	81.41p
Distributions on accumulation units	(13.06p)	(21.80p)	(22.32p)	(15.78p)
Retained distributions on accumulation units	13.06p	21.80p	22.32p	15.78p
Closing net asset value per unit	797.74p	692.75p	678.35p	629.32p
*after direct transaction costs of:***	0.12p	0.60p	0.48p	0.54p
Performance				
Return after charges	15.16%	2.12%	7.79%	14.86%
Other information				
Closing net asset value	£98,287,599	£89,759,622	£94,089,057	£93,524,686
Closing number of units	12,320,781	12,957,079	13,870,356	14,861,210
Operating charges	0.99%	0.98%	0.99%	1.00%
Direct transaction costs	0.02%	0.09%	0.08%	0.09%
Prices				
Highest unit price	811.93p	733.40p	690.20p	660.70p
Lowest unit price	692.58p	664.60p	608.80p	547.80p

** 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 31 May 2024: **0.99%**

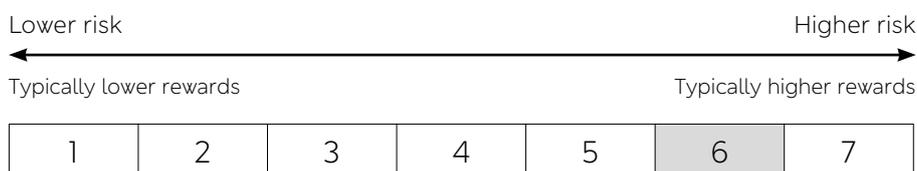
For the 12 month period to 30 November 2023: **0.98%**

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.

Certification of financial statements by Directors of the Manager

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

Paul Spencer (Chief Executive)

Phillip Scott (Director)

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

18 July 2024

Statement of total return

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

For the period ended 31 May 2024

	31.05.24		31.05.23	
	£	£	£	£
Income				
Net capital gains/(losses)		11,746,842		(256,989)
Revenue	2,063,801		2,070,058	
Expenses	(394,924)		(475,798)	
Interest payable and similar charges	-		(14)	
Net revenue before taxation	1,668,877		1,594,246	
Taxation	-		9	
Net revenue after taxation		1,668,877		1,594,255
Total return before distributions		13,415,719		1,337,266
Distributions/Accumulations		(1,660,984)		(1,590,226)
Change in net assets attributable to Unitholders		11,754,735		(252,960)

Statement of change in net assets attributable to Unitholders

For the period ended 31 May 2024

	31.05.24		31.05.23	
	£	£	£	£
Opening net assets attributable to Unitholders		90,798,112		95,218,342
Amounts receivable on issue of units	96,282		277,798	
Less: Amounts payable on cancellation of units	(4,783,692)		(3,156,149)	
		(4,687,410)		(2,878,351)
Change in net assets attributable to Unitholders from investment activities (see above)		11,754,735		(252,960)
Retained distribution on accumulation units		1,609,698		1,552,074
Closing net assets attributable to Unitholders		99,475,135		93,639,105

Balance sheet

As at 31 May 2024

	31.05.24		30.11.23	
	£	£	£	£
ASSETS				
Fixed assets:				
Investments		97,697,649		90,113,586
Current assets:				
Debtors	2,737,845		399,904	
Cash and bank balances	248,066		521,832	
Total current assets		2,985,911		921,736
TOTAL ASSETS		100,683,560		91,035,322
LIABILITIES				
Investment liabilities		-		(815)
Creditors:				
Bank overdrafts		-	(2)	
Distribution payable	(19,771)		(15,639)	
Other creditors	(1,188,654)		(220,754)	
Total Creditors		(1,208,425)		(236,395)
TOTAL LIABILITIES		(1,208,425)		(237,210)
Net assets attributable to Unitholders		99,475,135		90,798,112

Distribution table

For the period ended 31 May 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 payable 2024 pence per unit	Distribution paid 2023 pence per unit
Income units				
Group 1	6.1161	-	6.1161	5.5694
Group 2	3.6528	2.4633	6.1161	5.5694
Accumulation units				
Group 1	13.0649	-	13.0649	11.5260
Group 2	7.8030	5.2619	13.0649	11.5260

Other information

The interim financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association in May 2014 (and amended in June 2017).

Important changes

The following changes were made to the Fund's Prospectus during the interim reporting period ending 31 May 2024:

Prospectus Update 5 December 2023

- Update to the section “Definitions” to include new definitions for “Environment, Social and Governance (ESG)” and “United Nations Global Compact (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 “ESG Scoring Risk” and “Sustainable Funds and 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.

The following changes were made to the Fund's Key Investor Information Document during the reporting period ending 31 May 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.

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.