

THE MARKS AND SPENCER
WORLDWIDE MANAGED FUND

—

Manager's annual report

—

For the period 1 January 2018 to 31 December 2018

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The Marks and Spencer Worldwide Managed Fund

Manager, Registrar, dealing, administration and marketing

Marks and Spencer Unit Trust
Management Limited

Authorised and regulated by the Financial
Conduct Authority.

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

Head office and registered office

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

Directors of the Manager

James Coyle (Chairman and non-Executive
Director)

Paul Spencer (Interim Chief Executive Officer
and Director)

David Stewart (Non-Executive Director)

Phillip Scott (Director)

Douglas van den Aardweg (Non-Executive
Director)

Matt Handley (Director)

Peter Dew (Non-Executive Director)

Simon Ellis (Director)

Investment adviser

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

Authorised and regulated by the Financial
Conduct Authority.

Trustee

State Street Trustees Limited
Quartermile 3
10 Nightingale Way
Edinburgh EH3 9EG
Authorised and regulated by the Financial
Conduct Authority.

Independent auditor

KPMG LLP
15 Canada Square
London
E14 5CL

Manager's investment report

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

Objectives

The Fund's objective is to achieve long term capital growth, as well as a reasonable yield. A 'reasonable yield' is defined as the quoted average yield of funds in its Investment Association peer group which is the mixed investment (minimum 40% in shares, maximum-85% shares) peer group.

Policy

The Fund invests in a broad range of securities including equities, fixed income and money market instruments. The portfolio will be diversified globally by investing both in the UK and overseas. Investments will be held directly in securities or indirectly via collective investment schemes, of which a large proportion are likely to track indices as part of their underlying objective. In addition, the Fund may indirectly hold property by investing in collective investment schemes. The collective investment schemes in which the Fund will invest will include schemes which are managed or operated by the Manager or an associate of the Manager.

The Fund may use derivative instruments (options, futures and contracts for differences) and forward transactions for the purposes of efficient portfolio management. These instruments can therefore be used to reduce risk, reduce costs, or generate additional capital or income with no, or low levels of, risk.

The Manager's investment policy may mean that at times it is appropriate not to fully invest but to hold cash or near cash.

This will only occur when the Manager reasonably regards it as necessary to enable Units to be redeemed or for the efficient management of the Fund in accordance with its objectives or purpose that may reasonably be regarded as ancillary to the objectives of the Fund.

Investment strategy

The Manager has appointed HSBC Global Asset Management (UK) Limited as investment manager ("Investment Manager") to provide investment management services to the Manager in respect of the Fund. The Fund is structured to deliver the Objective through its broad exposure to UK and global equities and fixed income securities.

The allocation to these asset classes will vary through time to reflect both the longer-term investment return expectations and shorter-term more tactical market views of the Investment Manager. The longer-term allocations across the various different asset classes are adjusted to meet the Objective and are reviewed at least annually. The short-term tactical asset allocation enables the Investment Manager to invest in asset types, regions and currencies it believes have a more positive outlook or to reduce exposure to those asset classes it considers to have a less favourable outlook.

The desired allocation to each asset class will be achieved by investing indirectly in either collective investment schemes ("CIS") or directly into securities. This will include investment in CIS, a large proportion of which

	Percentage growth				
	31.12.13 to 31.12.14	31.12.14 to 31.12.15	31.12.15 to 31.12.16	31.12.16 to 31.12.17	31.12.17 to 31.12.18
Fund	7.3%	1.3%	19.2%	10.7%	-6.7%

This information relates to the past, and past performance is no guarantee of future performance. All the above figures are on a mid to mid basis, net income reinvested. The performance figures exclude the initial charge of the Fund. Source: Morningstar.

are likely to have objectives which aim to track various indices, which are sometimes referred to as being passively managed. There is no limit to the percentage which can be invested in CIS and there is no limit to the percentage of the Fund which can be invested in other CIS managed by the Manager, the Investment Manager or an associate. It is the intention where possible to invest in CIS managed by the Investment Manager.

The investment styles the Investment Manager can utilise may include selecting CIS in which to invest which may track indices as part of their objective and policy, tracking market capitalisation indices, and/or the use of suitable alternative weighting schemes that are not market weighted that the Investment Manager considers appropriate.

The Manager has determined that the Fund will not invest in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines.

Review of the twelve months to 31 December 2018

Economic and market review

2018 proved to be a challenging year for financial markets, with major equity markets showing a decline and fixed income (bond) markets also struggling to produce positive returns. The year also masked very varied performance between quarters; the first quarter showed negative equity returns, the second and third quarters showed positive equity returns and the fourth quarter strongly negative returns. This lack of a consistent trend made investing in the period challenging.

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

In the US, at the beginning of the year President Trump announced that the US

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

In the UK, Brexit negotiations continued to garner attention and dominate economic news. In late March, the UK and EU agreed a transitional period running from 29 March 2019 to 31 December 2020, during which the UK would remain in the Single Market and Customs Union on current terms and would be able to negotiate trade deals, but not implement them. In November, the British government announced details of the draft Withdrawal Agreement, the terms on which the transition period would operate. This received criticism from "Brexiters" and "Remainers" alike, and led to further political turmoil in the UK. Although the draft agreement has been approved by the cabinet, this still needs to be ratified by parliament and overcome various other hurdles before being finalised, most notably the Irish backdrop element of the agreement. On the monetary front, high inflation and the contraction in real wages in past years have dragged down growth with negative spill-overs for retailers, as evidenced by a string of profit warnings, announcement of store closures and bankruptcy procedures over the period.

Within the Eurozone, European stocks swayed in tandem with US-China trade sentiment which deteriorated as the period progressed. Economic sentiment and stocks were also weighed down by political risks within the region. In the Italian general election, no single party secured enough seats to govern alone. The biggest victors were two populist parties, who entered into negotiations to form a coalition. Later, investors grew less anxious following some reassuring messages from the successfully formed governing coalition.

In Germany, Angela Merkel's Christian Democrats and their Coalition partners, the Christian Social Union and the Social Democratic Party, negotiated a policy to resolve the dispute over Germany's asylum policy.

In China, equities declined amid deteriorating trade relations with the US. After President Trump imposed a 25% tariff on Chinese goods in June, China retaliated by introducing tariffs against a range of US imports, most notably soybeans. Furthermore, concerns over export prospects dampened valuations across sectors, notably for tech and auto stocks. In political news, the Chinese constitution was amended to pave the way for Xi Jinping to remain president indefinitely. President Xi subsequently carried out a government reshuffle and policymakers reaffirmed their commitment to curb China's large debt level.

The Global and UK government bond markets were relatively stable in 2018, supported by low levels of interest rates and a continued search for yield by investors. However, this masked periods when bonds fell significantly, only to rise back up subsequently. In the US, the Fed continued its policy of gradual normalisation of interest rates and raised rates four times in 2018, ending at 2.5%. The Federal Open Market committee (FOMC) predicted that there will be fewer rate increases in 2019, with two rate rises planned. In contrast, the Bank of England raised interest rate once to 0.75% in August and the European Central Bank signalled that short-term interest rates are likely to remain at their current levels until the summer of 2019.

Portfolio Review

2018 saw a fall in the value of the Worldwide Managed Fund. Performance in the year was strongly influenced by the fourth quarter, a period when equity markets saw a significant decline, which impacted Fund value.

Prior to the fourth quarter, the Fund had shown positive returns, overcoming a fall in equity markets in the first quarter to deliver positive returns in the second and third quarters. However, market performance in the final quarter of the year overwhelmed these gains, to leave the Fund in negative territory for the year.

Lack of consistency in market returns, with some asset classes showing significant differences in performance from quarter to quarter, meant it was extremely difficult to position the Fund to avoid these effects.

Throughout 2018, the portfolio was overweight equities versus fixed income. Risk assets were expected to benefit from the constructive macroeconomic backdrop and resilient corporate earnings, while tightening monetary policy was expected to create a difficult fixed income environment.

Outlook

Although US economic growth is expected to slow, this is from high levels and global economic growth is expected to remain relatively robust in 2019 - we do not expect a decline into recession in the major economies although Europe, including the UK, and Japan, are unlikely to produce strong growth.

Brexit remains a significant source of uncertainty going into 2019 and continues to subdue European and UK markets. Ambiguity around the UK's post Brexit relationship with Europe is likely to reduce foreign and domestic investment in the UK and has knock on effects for the rest of Europe.

In the US, President Trump will be keen to see trade tensions with China resolved as he will not wish to compromise economic prospects in the second half of his presidency. We are likely to see a more normal pace of growth in the US in 2019, as the fiscal stimulus begins to fade and the economy reacts to the Fed's gradual tightening of monetary policy. Interest rates remain low by historical standards and company balance sheets are supportive of capital spending.

Provided economic growth remains positive and a recession is averted, the scope for financial markets, and particularly equities, to perform positively remains. This will be to the benefit of the Fund.

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 31 December 2018

HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 DECEMBER 2018		BID VALUE (£)	% OF NET TOTAL ASSETS	HOLDING OR NOMINAL VALUE OF POSITIONS AS AT 31 DECEMBER 2018		BID VALUE (£)	% OF NET TOTAL ASSETS	
Electronic & electrical equipment				0.15	CMC Markets	6,444	6,702	-
Dialight	2,050	8,200	-	Connect	17,374	7,427	-	
Halma	24,428	330,755	0.06	De La Rue	6,559	27,417	-	
Morgan Advanced Materials	17,034	44,833	0.01	Diploma	6,920	83,732	0.02	
Oxford Instruments	3,356	29,868	0.01	Electrocomponents	29,662	150,268	0.03	
Renishaw	2,086	88,280	0.02	Equiniti	19,165	41,492	0.01	
Rotork	56,925	140,946	0.02	Essentra	16,084	54,814	0.01	
Spectris	7,733	176,235	0.03	G4S	100,199	197,342	0.03	
TT Electronics	10,053	19,684	-	Hays	83,423	116,792	0.02	
Xaar	4,814	6,826	-	HomeServe	15,989	137,665	0.02	
Industrial engineering				0.19	Howden Joinery	39,403	171,639	0.03
Bodycote	12,085	87,556	0.02	Integrafin Holdings	12,168	37,356	0.01	
Hill & Smith	4,912	58,895	0.01	Intertek	10,440	501,120	0.09	
IMI	17,761	167,664	0.03	Mears Group	6,112	19,925	-	
Melrose Industries	304,892	499,566	0.09	Menzies (John)	4,935	25,168	-	
Severfield-Rowen	20,960	14,462	-	Mitie	22,660	25,039	-	
Trifast	7,676	14,047	-	Northgate	8,488	31,389	0.01	
Weir Group	16,620	215,728	0.04	Pagegroup	18,698	84,291	0.01	
Industrial transportation				0.07	Paypoint	4,473	35,918	0.01
BBA Group	68,063	148,513	0.03	Renewi	41,066	13,408	-	
Clarkson	1,449	27,415	-	Rentokil Initial	118,634	398,729	0.07	
Clipper Logistics	4,104	9,234	-	Ricardo	3,257	19,868	-	
Fisher (James) & Sons	2,591	44,462	0.01	Robert Walters	4,162	22,891	-	
Gulf Marine Services	8,546	880	-	RPS Group	15,520	21,076	-	
Royal Mail	59,332	161,442	0.03	Serco	70,672	67,562	0.01	
Wincanton	8,492	19,532	-	SIG	36,379	39,944	0.01	
Support services				0.68	Speedy Hire	38,850	22,921	-
ACAL	4,166	15,123	-	SThree	7,428	20,910	-	
Aggreko	14,768	108,102	0.02	Travis Perkins	16,452	176,036	0.03	
Ashtead	31,099	509,091	0.09	Automobiles & parts				
Babcock International	32,729	160,143	0.03	Aston Martin	1,800	22,025	-	
Biffa	12,145	23,780	0.01	Gocompare.com	19,865	13,588	-	
Bunzl	21,514	508,161	0.09	Rolls Royce Holdings				
Capita	105,649	118,591	0.02	Preference***	4,705,570	-	-	
				TI Fluid Systems	10,769	17,984	-	

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Beverages			0.76	Personal goods			0.58
A.C. Barr	5,331	42,062	0.01	Burberry	26,742	462,637	0.08
Britvic	16,459	131,507	0.02	PZ Cussons	12,289	26,151	0.01
Diageo	152,531	4,263,241	0.73	Ted Baker	1,630	25,232	-
Stock Spirits	11,920	24,794	-	Unilever	69,045	2,836,714	0.49
Food producers			0.15	Tobacco			0.87
Associated British Foods	22,449	458,633	0.08	British American Tobacco	144,148	3,603,700	0.62
Bakkavör Group	16,416	23,147	-	Imperial Brands	59,934	1,424,631	0.25
Cranswick	3,124	82,224	0.01	Healthcare equipment & services			0.20
Dairy Crest	8,596	36,292	0.01	Consort Medical	3,026	28,081	-
Devro	12,257	19,611	-	Convatec Group	91,218	126,656	0.02
Hilton Food Group	3,817	34,429	0.01	Medicine International	25,901	83,531	0.01
Premier Foods	46,641	14,482	-	NMC Health	5,349	146,349	0.03
Tate & Lyle	30,404	200,666	0.04	Smith & Nephew	55,776	816,561	0.14
Household goods			0.71	Spire Healthcare	17,797	19,256	-
Barratt Developments	64,861	299,917	0.05	Pharmaceuticals & biotechnology			1.71
Bellway	7,785	195,793	0.03	AstraZeneca	80,046	4,693,897	0.81
Berkeley Group Holdings	8,125	282,669	0.05	BTC	24,039	199,524	0.03
Bovis Homes Group	8,490	72,878	0.01	Circassia Holdings	12,049	5,784	-
Countryside Properties	21,294	64,563	0.01	Dechra Pharmaceuticals	6,295	130,181	0.02
Crest Nicholson Holdings	15,460	50,740	0.01	Genus	3,816	81,662	0.01
DFS Furniture	9,887	17,975	-	GlaxoSmithKline	307,782	4,589,645	0.79
Galliford Try	6,732	41,839	0.01	Hikma Pharmaceuticals	8,747	149,749	0.03
Headlam Group	5,119	20,988	-	Indivior	44,124	49,507	0.01
McBride	11,321	13,925	-	Oxford Biomedica	3,400	23,402	-
McBride Non Cum Redeemable Preference***	316,988	317	-	Vectura	44,122	30,885	0.01
Persimmon	19,816	382,449	0.07	Food & drug retailers			0.36
Reckitt Benckiser	39,531	2,376,208	0.41	Greggs	6,820	86,273	0.02
Redrow	13,587	66,440	0.01	Morrison (Wm)			
Taylor Wimpey	211,386	288,013	0.05	Supermarkets	139,063	296,552	0.05
Leisure goods			0.01	Ocado Group	27,489	217,108	0.04
Games Workshop	998	30,289	0.01	Sainsbury (J)	103,979	275,544	0.05
Photo-Me International	16,768	14,974	-	Tesco	612,661	1,164,669	0.20

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General retailers			0.28	RELX	120,747	1,951,875	0.33
AO World	17,068	21,711	-	STV	2,326	8,048	-
Card Factory	20,139	34,800	0.01	Trinity Mirror	20,806	13,316	-
Carpetright	14,643	2,445	-	Travel & leisure			0.82
Debenhams	67,698	3,473	-	Carnival	10,623	399,425	0.07
Dignity	3,192	22,168	-	Cineworld	62,859	165,445	0.03
Dixons Carphone	63,839	76,607	0.01	Compass Group	99,909	1,643,503	0.28
Dunelm Group	5,792	31,190	0.01	Domino's Pizza	31,084	72,457	0.01
Findel	5,660	12,112	-	easyJet	15,755	174,093	0.03
Halfords	12,238	31,207	0.01	El Group	31,691	57,551	0.01
Inchcape	27,271	150,400	0.03	FirstGroup	76,837	64,082	0.01
JD Sports Fashion	23,292	81,243	0.01	Go-Ahead	2,538	38,781	0.01
Kingfisher	138,676	287,614	0.05	Greene King	19,810	104,359	0.02
Lookers	19,911	18,358	-	GVC Holdings	34,644	233,501	0.04
Marks & Spencer	104,689	258,687	0.04	Hollywood Bowl Group	7,988	18,452	-
Motorpoint Group	3,955	7,732	-	InterContinental			
N Brown Group	10,814	9,906	-	Hotels Group	12,095	511,860	0.09
Next	8,638	344,743	0.06	JPJ Group	4,116	26,137	-
Pendragon	87,536	19,608	-	Marston's	42,347	39,827	0.01
Pets At Home	22,866	26,479	0.01	Millennium &			
Saga	70,302	72,622	0.01	Copthorne Hotels	7,629	35,666	0.01
Sports Direct				Mitchells & Butlers	14,916	38,215	0.01
International	12,356	29,358	0.01	National Express	26,515	98,530	0.02
SuperGroup	3,592	16,767	-	On the Beach	3,691	12,383	-
Topps Tiles	9,595	6,006	-	Rank Group	10,879	14,991	-
WH Smith	7,184	123,565	0.02	Restaurant Group	33,163	47,257	0.01
Media			0.64	SSP Group	28,762	186,205	0.03
Ascential	25,851	97,407	0.02	Stagecoach	25,958	34,394	0.01
Bloomsbury Publishing	7,121	14,100	-	Thomas Cook	82,030	25,232	-
EuroMoney Institutional				Wetherspoon (JD)	5,134	56,936	0.01
Investor	2,422	27,950	0.01	Whitbread	11,700	535,743	0.09
Informa	79,982	503,887	0.09	William Hill	58,137	90,112	0.02
ITE	50,512	31,974	0.01	Fixed line telecommunications			0.23
ITV	238,470	297,730	0.05	British Telecom	525,959	1,252,045	0.21
Merlin Entertainments	47,210	149,892	0.03	Kcom	32,578	23,586	-
Moneysupermarket.com	33,288	91,708	0.02	TalkTalk Telecom	44,885	51,124	0.01
Pearson	50,445	473,073	0.08	Telecom Plus	3,759	53,829	0.01

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Mobile telecommunications				0.46	Just Group	58,963	0.01	
Inmarsat	30,207	114,575	0.02	Legal & General	375,810	868,121	0.15	
Vodafone	1,685,967	2,577,844	0.44	Phoenix Group				
Electricity				0.15	Holdings	37,365	0.04	
ContourGlobal	17,200	30,375	0.01	Prudential	163,653	2,294,415	0.39	
Drax	25,221	90,493	0.02	St James's Place				
SSE	64,600	698,003	0.12	Capital	33,515	315,979	0.05	
Gas, water & multi-utilities				0.50	Standard Life			
Centrica	356,409	480,796	0.08	Aberdeen	167,615	430,016	0.07	
National Grid	214,513	1,639,308	0.28	Real estate investment services				
Pennon	26,950	186,710	0.03	Assura	165,147	87,198	0.01	
Severn Trent	15,191	275,565	0.05	Big Yellow Group REIT	8,800	76,780	0.01	
United Utilities	43,449	319,524	0.06	British Land REIT	64,399	343,375	0.06	
Banks				2.45	Capital & Counties			
Bank of Georgia Group	2,304	31,726	0.01	Properties	49,507	114,163	0.02	
Barclays	1,077,062	1,620,978	0.28	Capital & Regional	37,057	10,209	-	
CYBC	78,910	142,985	0.02	Civitas Social Housing	23,082	24,582	-	
HSBC Holdings**	1,269,229	8,209,373	1.41	CLS Holdings	14,414	30,414	0.01	
Lloyds Banking	4,493,971	2,326,529	0.40	Countrywide	22,952	1,962	-	
Metro Bank	5,680	96,162	0.02	Custodian REIT	17,242	19,828	-	
OneSavings Bank	15,578	54,398	0.01	Daejan Holdings	350	19,670	-	
Royal Bank of Scotland	286,289	618,957	0.11	Derwent London REIT	6,810	194,289	0.03	
Standard Chartered	170,493	1,038,814	0.18	Edison Property				
TBC Bank Group	2,757	41,906	0.01	Investment				
Non-life insurance				0.24	Company REIT	8,671	8,974	-
Admiral	13,037	265,564	0.05	Empiric Student				
Beazley	33,840	170,384	0.03	Property	31,862	29,440	0.01	
Direct Line Insurance	89,304	284,433	0.05	Foxtons	15,000	7,650	-	
Hastings Group	17,496	32,700	0.01	GCP Student Living	24,978	37,067	0.01	
Jardine Lloyd Thompson	7,604	143,716	0.03	Grainger	40,067	84,061	0.01	
Royal & Sun Alliance				Great Portland Estates	17,246	113,668	0.02	
Insurance	64,899	332,023	0.06	Greencoat UK Wind	71,359	89,627	0.02	
Sabre Insurance Group	15,316	41,813	0.01	Hammerson	52,322	172,349	0.03	
Life insurance				0.88	Hanstee Holdings			
Aviva	245,043	920,136	0.16	REIT	22,102	20,422	-	
Chesnara	7,920	27,364	0.01	Helical Bar	6,860	21,678	-	
				Intu Properties REIT	53,801	60,983	0.01	
				Land Securities REIT	45,652	367,225	0.06	

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LondonMetric Property	40,471	70,420	0.01	Intermediate Capital			
LSL Property Services	5,690	12,290	-	Group	17,962	167,675	0.03
McCarthy & Stone	32,972	45,732	0.01	International Personal			
Newriver REIT	19,073	40,244	0.01	Finance	14,985	30,599	0.01
Primary Health				Investec	40,921	179,971	0.03
Properties REIT	43,489	48,186	0.01	IP Group	63,263	68,451	0.01
Redefine International				John Laing Group	30,962	102,422	0.02
REIT	75,213	21,360	-	Liontrust Asset			
Safestore Holdings				Management	3,058	17,798	-
REIT	12,034	60,892	0.01	London Stock			
Savills	7,962	56,172	0.01	Exchange	19,719	800,591	0.14
Schroder European REIT	7,376	7,819	-	Man Group	111,890	148,814	0.03
Segro REIT	65,227	383,926	0.07	P2P Global			
Shaftesbury	16,322	135,391	0.02	Investments	5,517	44,246	0.01
Smithson Investment				Paragon Group			
Trust	5,002	50,030	0.01	of Companies	18,055	69,692	0.01
St Modwen Properties	11,663	46,185	0.01	Provident Financial	15,978	91,873	0.02
Town Centre Securities	3,564	7,342	-	Quilter	117,303	138,394	0.02
Tritax Big Box REIT	78,644	103,260	0.02	Rathbone Brothers	3,426	80,237	0.01
U and I Group	8,416	17,379	-	S & U	220	4,532	-
Unite	18,097	145,862	0.03	Schroders	7,220	176,385	0.03
Workspace Group REIT	8,139	64,583	0.01	TP ICAP	35,532	106,916	0.02
Financial services			0.54	VPC Specialty Lending			
AA	37,545	28,159	0.01	Investments	25,866	19,710	-
Allied Minds	16,740	11,166	-	Software & computer services			0.36
Amigo Holdings	8,555	24,044	-	Alfa Financial Software	6,191	7,157	-
Arrow Global	12,668	22,017	-	Auto Trader	60,110	272,960	0.05
Ashmore	24,271	88,444	0.02	Avast	14,859	42,096	0.01
Brewin Dolphin	18,637	60,086	0.01	Aveva	4,057	98,179	0.02
Charles Taylor	4,100	8,815	-	Computacenter	4,266	42,745	0.01
Charter Court				FDM Group	5,240	38,933	0.01
Financial Services	13,709	34,273	0.01	Just-Eat	36,834	216,142	0.04
Close Brothers	10,390	149,616	0.03	Micro Focus			
Georgia Capital	2,304	23,524	-	International	27,620	381,708	0.07
Hargreaves Lansdown	16,562	305,072	0.05	Microgen	3,662	12,194	-
Henderson Diversified				NCC Group	16,647	29,182	0.01
Income Trust	10,585	8,404	-	Playtech	17,618	67,794	0.01
IG Group Holdings	24,131	137,547	0.02	Rightmove	58,095	251,116	0.04

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As at 31 December 2018

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Sage	69,046	414,828	0.07	Biotech Growth Trust	3,860	24,395	-
SDL	5,642	26,405	-	BlackRock Greater European Investment Trust	6,553	20,052	-
Softcat	5,070	29,812	0.01	BlackRock Latin American Investment Trust	4,936	21,422	-
Sophos Group	15,935	59,916	0.01	BlackRock Smaller Companies	2,914	34,968	0.01
Technology hardware & equipment			0.06	BlackRock Throgmorton Trust	6,324	27,509	-
Nanoco Group	14,527	5,520	-	BlackRock World Mining Investment Trust	10,675	36,295	0.01
Spirax-Sarco Engineering	4,710	293,198	0.05	BMO Capital & Income Investment Trust	6,534	18,883	-
Spirent	41,392	49,008	0.01	BMO Global Smaller Companies	3,619	44,333	0.01
UK COLLECTIVES AND INVESTMENT TRUSTS (45.39%; 31.12.17 42.65%)				BMO Private Equity Trust	7,312	23,033	-
3i Group	61,722	477,358	0.08	British Empire Securities	8,780	58,387	0.01
Aberdeen Standard Asia Focus Investment Trust	2,306	23,175	-	Caledonia Investments	2,101	59,248	0.01
Aberdeen Diversified Income and Growth Trust	35,576	40,023	0.01	City of London Investment Trust	20,337	78,094	0.01
Aberdeen New Dawn Investment Trust	8,242	17,968	-	Diverse Income Trust	22,120	20,527	-
Aberforth Smaller Companies	6,384	72,650	0.01	Dunedin Income Growth Investment Trust	11,582	26,754	-
Aberforth Split Level Income Trust	18,606	13,843	-	Ecofin Global Utilities & Infrastructure	15,984	20,220	-
Alliance Trust	24,774	170,445	0.03	Edinburgh Dragon Investment Trust	11,739	42,260	0.01
Asian Total Return Investment	5,005	16,516	-	Edinburgh Investment Trust	12,210	72,894	0.01
Baillie Gifford Japan Investment Trust	4,817	32,418	0.01	Edinburgh Worldwide Investment Trust	3,115	22,926	-
Baillie Gifford Shin Nippon Investment Trust	12,835	20,916	-	Electra Private Equity	1,950	7,498	-
Baillie Gifford UK Growth Fund	10,860	17,539	-	European Investment Trust	4,038	31,577	0.01
Bankers Investment Trust	8,876	69,499	0.01	Fidelity China Special Situations Trust	23,961	45,143	0.01
BCA Marketplace	46,410	102,102	0.02				
Bioscience Investment Trust Rights*	3,507	-	-				

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Fidelity European Values	27,452	56,826	0.01	Invesco Perpetual UK Smaller Companies Investment Trust	3,151	13,927	-
Fidelity Special Values	16,603	37,523	0.01	JPMorgan American Investment Trust	16,029	63,956	0.01
Finsbury Growth & Income Trust	9,809	73,666	0.01	JPMorgan Asian Investment Trust	7,356	24,275	-
Foreign & Colonial Investment Trust	36,430	230,602	0.04	JPMorgan Chinese Investment Trust	5,035	11,379	-
Henderson Euro Trust	1,368	13,379	-	JPMorgan Claverhouse Investment Trust	3,482	22,981	-
Henderson European Focus Trust	2,395	25,267	-	JPMorgan Emerging Markets Investment Trust	9,145	78,190	0.01
Henderson Smaller Companies Investment Trust	5,592	42,723	0.01	JPMorgan European Investment Trust	5,633	13,970	-
Herald Investment Trust	4,750	50,825	0.01	JPMorgan European Smaller Companies Trust	10,497	34,325	0.01
HgCapital Trust	2,247	40,109	0.01	JPMorgan Global Emerging Markets Income Trust	22,391	27,429	-
HSBC American Index Fund**	9,887,567	52,473,319	9.00	JPMorgan Global Growth and Income Investment Trust	7,927	22,513	-
HSBC Corporate Bond Fund**	1,399,825	3,044,619	0.52	JPMorgan Indian Investment Trust	6,542	45,729	0.01
HSBC European Index Fund**	4,868,126	39,923,505	6.85	JPMorgan Investment Trust	9,505	18,252	-
HSBC FTSE All-Share Index Fund**	2,371,146	7,464,368	1.28	JPMorgan Japanese Investment Trust	10,896	40,751	0.01
HSBC FTSE All-World Index Fund**	60,718,008	85,976,699	14.75	JPMorgan Mid Cap Investment Trust	1,700	16,456	-
HSBC Gilt & Fixed Interest Fund**	9,546,825	6,876,578	1.18	JPMorgan Russian Securities Investment Trust	7,081	34,768	0.01
HSBC Japan Index Fund**	22,434,670	25,396,047	4.36	Jupiter European Opportunities Trust	8,797	59,644	0.01
HSBC Merit US Equity Fund**	3,764,545	11,463,040	1.97	Jupiter Fund Management	26,916	79,456	0.01
HSBC Pacific Index Fund**	5,170,673	14,845,003	2.55				
HSBC UK Gilt Index Fund**	10,541,401	12,048,821	2.07				
ICG Enterprise Trust	6,480	51,840	0.01				
Impax Environmental Markets	12,983	32,587	0.01				
Independent Investment Trust	2,125	10,221	-				

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Keystone Investment Trust	900	13,320	-	Scottish Investment Trust	5,599	42,272	0.01
Law Debenture	8,135	43,604	0.01	Scottish Mortgage Investment Trust	89,164	413,453	0.07
Lindsell Train Investment Trust	12	14,160	-	Scottish Oriental Smaller Companies Trust	1,982	18,789	-
Lowland Investment Company	1,702	22,296	-	Standard Life UK Smaller Companies Trust	4,558	18,505	-
Martin Currie Global Portfolio Trust	6,757	15,609	-	Temple Bar Investment Trust	4,240	48,506	0.01
Merchants Trust	7,299	33,283	0.01	Templeton Emerging Markets Investment Trust	20,322	137,580	0.02
Monks Investment Trust	13,101	95,113	0.02	The Mercantile Investment Trust	57,569	100,815	0.02
Murray Income Trust	4,957	35,690	0.01	TR European Growth Trust	3,064	23,501	-
Murray International Trust	8,723	98,744	0.02	TR Property Investment	19,826	70,184	0.01
North American Income Trust	1,968	24,108	-	Twentyfour Income Fund	25,890	28,867	0.01
North Atlantic Smaller Companies Investment Trust	698	18,427	-	Utilico Emerging Markets Trust	14,619	29,567	0.01
Pacific Assets Investment Trust	7,999	22,397	-	Witan Investment Trust	12,788	124,171	0.02
Pantheon International	4,403	86,739	0.02	Witan Pacific Investment Trust	4,480	13,082	-
Perpetual Income & Growth Investment Trust	15,171	46,727	0.01	Woodford Patient Capital Trust	50,672	41,602	0.01
Personal Assets Trust	132	51,678	0.01	Worldwide Healthcare Trust	3,379	80,420	0.01
Polar Capital Technology Trust	9,204	101,612	0.02	Total United Kingdom	380,083,384	65.23	
Ranger Direct Lending Fund	1,366	8,879	-				
RIT Capital Partners	8,619	164,623	0.03	OVERSEAS SHARES (32.88%; 31.12.17 34.02%)			
Riverstone Energy	3,411	36,702	0.01				
Schroder Asia Pacific Fund	10,858	43,432	0.01	ASIA (0.02%; 31.12.17 0.00%)			
Schroder Japan Growth Investment Trust	11,057	20,234	-	Israel (0.02%; 31.12.17 0.00%)			
Scottish American Investment Trust	9,223	32,188	0.01	Plus500	6,687	91,211	0.02
				Total Israel		91,211	0.02

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CONTINENTAL EUROPE					Highbridge Multi- Strategy Fund	12,177	25,024	-	
(32.76%; 31.12.17 33.90%)					International Public Partnership	93,534	143,294	0.03	
Channel Islands (1.20%; 31.12.17 1.72%)					International Workplace	37,380	78,012	0.01	
3i Infrastructure	33,744	87,228	0.02	MedicX Fund	22,151	16,392	-		
Aberdeen Asian Income	12,025	23,449	-	NB Global Floating Rate Income Fund	74,906	66,142	0.01		
Apax Global Alpha	16,866	22,769	-	NB Private Equity Partners	3,220	32,071	0.01		
BH Global	1,599	23,505	-	NextEnergy Solar Fund	37,034	42,219	0.01		
BH Macro	1,472	34,739	0.01	Pershing Square Holdings	13,936	140,754	0.03		
Bluefield Solar Income Fund	24,556	30,081	0.01	Petrofac	16,116	76,873	0.01		
Centamin	65,907	71,707	0.01	Picton Property	28,206	23,749	0.01		
City Merchants High Yield	12,208	21,303	-	Polymetal International	17,553	144,286	0.03		
CVC Credit Partners				Princess Private Equity	4,352	33,075	0.01		
European Opportunities	21,168	22,756	-	Real Estate Credit Investments	9,658	15,887	-		
Dexion Absolute*	9,140	15,698	-	Regional REIT	19,560	18,093	-		
Experian	58,188	1,108,190	0.19	Renewables Infrastructure Group	60,841	68,750	0.01		
F&C Commercial Property Trust	31,124	38,656	0.01	Ruffer	9,905	20,503	-		
F&C UK Real Estate Investment	14,760	13,461	-	Sanne Group	6,677	38,793	0.01		
Ferguson	14,618	732,362	0.13	Schroder Oriental Income Fund	19,222	44,403	0.01		
Foresight Solar	22,314	23,988	-	Schroder Real Estate Investment	31,780	17,860	-		
Funding Circle SME Income Fund	19,082	16,601	-	Sequoia Economic Infrastructure Income Fund	65,839	74,727	0.01		
GCP Asset Backed Income Fund	17,589	18,293	-	Sirius Real Estate	54,110	32,358	0.01		
GCP Infrastructure Investments	51,313	64,962	0.01	SQN Asset Finance Income Fund	9,620	8,567	-		
Genesis Emerging Markets Fund	8,693	55,287	0.01	Standard Life Investments Property	24,197	19,600	-		
Glencore	724,474	2,109,668	0.36	Starwood European Real Estate Finance	24,505	24,873	0.01		
HarbourVest Global Private Equity	5,227	70,460	0.01						
Henderson Far East Income	8,181	28,061	0.01						
HICL Infrastructure	115,143	181,005	0.03						

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Stobart	18,324	26,167	0.01	HSBC GIF Economic			
Syncona	30,735	82,216	0.01	Scale Index Fund**	437,609	14,054,965	2.41
Target Healthcare REIT	21,200	22,578	-	HSBC GIF Economic			
Tarsus	6,664	17,660	-	Scale Index GEM			
Third Point Offshore	1,500	16,350	-	Equity Fund**	2,447,283	19,757,350	3.39
UK Commercial				HSBC GIF Economic			
Property REIT	40,535	33,644	0.01	Scale Index Japan			
VinaCapital Vietnam				Equity Fund**	382,243	3,203,867	0.55
Opportunity Fund	12,784	42,699	0.01	HSBC GIF Global			
Wizz Air Holdings	3,094	86,694	0.02	Emerging Markets			
WPP	78,581	665,267	0.11	Bond Fund**	3,936,341	28,632,430	4.91
Total Channel Islands		7,013,809	1.20	HSBC GIF Global			
Germany (0.05%; 31.12.17 0.07%)				Emerging Markets			
TUI AG	28,189	316,703	0.05	Local Debt Fund**	6,492,786	45,744,168	7.85
Total Germany		316,703	0.05	HSBC GIF Global			
Ireland (3.33%; 31.12.17 2.06%)				Government			
CRH (London listed)	52,445	1,085,611	0.19	Bond Fund**	1,893,648	16,573,883	2.84
DCC (London listed)	5,899	352,170	0.06	HSBC GIF Global			
Grafton	13,657	87,815	0.02	High Yield Bond			
Greencore	44,857	79,935	0.01	Fund**	858,759	6,490,588	1.11
HSBC Sterling				HSBC GIF Global			
Liquidity Fund**	8,012,065	8,012,065	1.37	Real Estate Equity			
iShares Core FTSE 100®				Fund**	3,668,228	28,580,269	4.91
UCITS ETF	171,383	1,139,354	0.20	Total Luxembourg		163,230,166	28.01
iShares Core MSCI				Netherlands (0.01%; 31.12.17 0.01%)			
Emerging Markets				RHI Magnesita	1,517	60,043	0.01
IMI UCITS ETF	377,783	7,661,439	1.31	DP Eurasia	5,145	5,392	-
iShares FTSE 250®				Total Netherlands		65,435	0.01
UCITS ETF	14,256	237,961	0.04	Spain (0.11%; 31.12.17 0.11%)			
Kenmare Resources	5,400	9,990	-	International			
Paddy Power	5,283	338,112	0.06	Consolidated Airlines	101,110	624,860	0.11
Smurfit Kappa	15,152	314,556	0.05	Total Spain		624,860	0.11
UDG Healthcare	15,092	90,099	0.02	Switzerland (0.05%; 31.12.17 0.05%)			
Total Ireland		19,409,107	3.33	Coca-Cola HBC	12,799	312,936	0.05
Luxembourg (28.01%; 31.12.17 29.87%)				Total Switzerland		312,936	0.05
B&M European Value	52,121	146,721	0.03	Gibraltar (0.00%; 31.12.17 0.01%)			
BICI SICAV	29,629	45,925	0.01	888 Holdings	14,736	25,788	-
				Total Gibraltar		25,788	0.00

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NORTH AMERICA (0.10%; 31.12.17 0.12%)					Sold UK sterling £6,134,251				
Bermuda (0.07%; 31.12.17 0.07%)					for US dollars \$7,761,975 (42,527) (0.01)				
Hiscox	18,382	297,053	0.05	(expires 09/01/2019)					
Lancashire Holdings	12,279	74,288	0.01	Sold UK sterling £222,596 for					
Petra Diamonds	52,918	19,939	-	Japanese yen ¥31,172,604 547 -					
Purecircle	8,184	20,624	0.01	(expires 09/01/2019)					
Total Bermuda		411,904	0.07	Total forward foreign exchange contracts (635,793) (0.11)					
Canada (0.01%; 31.12.17 0.01%)					Portfolio of investments 571,108,197 98.00				
Entertainment One	20,124	71,279	0.01	Net other assets 11,642,618 2.00					
Total Canada		71,279	0.01	Net assets 582,750,815 100.00					
Cayman Islands (0.02%; 31.12.17 0.04%)					Investments				
Dragon Capital				Equity 571,743,990 98.11					
Vietnam	12,628	57,710	0.01	Forward foreign exchange contracts (635,793) (0.11)					
Phoenix Spree				Portfolio of investments 571,108,197 98.00					
Deutschland REIT	8,485	29,698	0.01						
Total Cayman Islands		87,408	0.02						
FORWARD FOREIGN EXCHANGE CONTRACT (0.11%); 31.12.17 0.09%									
Sold US dollars \$69,285,894					* These are delisted securities and have				
for UK sterling £54,121,558 (255,140) (0.04)					been valued at the Manager's best assessment				
(expires 09/01/2019)					of their value.				
Sold Euro €10,289,200					** Related parties				
for UK sterling £9,156,757 (81,470) (0.02)					*** These are non cumulative, unquoted				
(expires 09/01/2019)					redeemable preference shares given in lieu				
Sold Japanese yen					of the cash dividend.				
¥660,668,693 for					The securities held are approved and are admitted				
UK sterling £4,594,815 (134,464) (0.02)					to an official listing unless otherwise stated.				
(expires 09/01/2019)									
Sold US dollars \$47,529,113									
for UK sterling £37,178,482 (123,140) (0.02)									
(expires 09/01/2019)									
Sold UK sterling £240,529									
for Japanese yen ¥34,159,490 3,996 -									
(expires 09/01/2019)									
Sold UK sterling £473,578									
for Euro €523,450 (3,595) -									
(expires 09/01/2019)									

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	31.12.18	31.12.17	31.12.16
Opening net asset value per unit	515.07p	467.97p	397.78p
Return before operating charges*	(27.22p)	58.57p	80.50p
Operating charges**	(6.64p)	(7.44p)	(6.61p)
Return after operating charges*	(33.86p)	51.13p	73.89p
Distributions on income unit	(6.79p)	(4.03p)	(3.70p)
Closing net asset value per unit	474.42p	515.07p	467.97p

*after direct transaction costs of:***

	0.04p	0.42p	0.46p
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Performance

Return after charges	(6.57%)	10.93%	18.57%
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Other information

Closing net asset value	£11,608,625	£13,483,409	£13,182,467
Closing number of units	2,446,898	2,617,784	2,816,961
Operating charges	1.41%	1.43%	1.56%
Direct transaction costs	0.01%	0.08%	0.11%

Prices

Highest unit price	525.92p	516.93p	470.90p
Lowest unit price	472.60p	469.24p	362.04p

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

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

Net asset value per unit and comparative table

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

ACCUMULATION

Change in net assets per unit	31.12.18	31.12.17	31.12.16
Opening net asset value per unit	826.37p	744.81p	627.72p
Return before operating charges*	(44.19p)	93.44p	127.57p
Operating charges**	(10.72p)	(11.88p)	(10.48p)
Return after operating charges*	(54.91p)	81.56p	117.09p
Distributions on accumulation unit	(10.92p)	(6.42p)	(5.84p)
Retained distributions on accumulation unit	10.92p	6.42p	5.84p
Closing net asset value per unit	771.46p	826.37p	744.81p

*after direct transaction costs of:*** 0.06p 0.67p 0.72p

Performance

Return after charges (6.64%) 10.95% 18.65%

Other information

Closing net asset value	£571,142,190	£651,288,411	£622,835,706
Closing number of units	74,033,646	78,812,832	83,623,545
Operating charges	1.41%	1.43%	1.56%
Direct transaction costs	0.01%	0.08%	0.11%

Prices

Highest unit price	853.19p	826.92p	748.47p
Lowest unit price	766.69p	746.81p	571.32p

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

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

Ongoing charges

For the 12 month period to 31 December 2018:

1.41%

For the 12 month period to 31 December 2017:

1.43%

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 January and 1 July

Income payment dates:

28 February and 31 August

Risk and reward profile

Lower risk

Higher risk



Typically lower rewards

Typically higher rewards

1	2	3	4	5	6	7
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More about this rating

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

Why is this Fund in category 4?

This multi-asset Fund has a higher risk profile than funds holding solely bonds and/or money market instruments as it invests predominantly in shares.

Authorised status

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

Trustee report

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of the Marks and Spencer Worldwide Managed Fund ('the Trust') for the Period Ended 31 December 2018.

The Depositary in its capacity as Trustee of the Marks and Spencer Worldwide Managed Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

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

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

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

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

State Street Trustees Limited
27 February 2019

Statement of the Manager's responsibilities

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

In preparing the financial statements the Manager is responsible for:

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

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

Certification of financial statements by Directors of the Manager

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



Paul Spencer (Interim Chief Executive)



Phillip Scott (Director)

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

27 February 2019

Independent auditor's report

Independent auditor's report to the unitholders of The Marks and Spencer Worldwide Managed Fund ('the Trust')

Opinion

We have audited the financial statements of the Trust for the year ended 31 December 2018 which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables and the accounting policies set out on pages 24 to 36.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Trust as at 31 December 2018 and of the net revenue and the net capital losses on the property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for opinion

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

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

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

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

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Manager's conclusions, we considered the inherent risks to the Trust's business model, including the impact of Brexit, and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other information

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

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

- we have not identified material misstatements in the other information; 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 20, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

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

Chartered Accountants

319 St Vincent Street
Glasgow
G2 5AS

27 February 2019

Statement of total return

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

For the year ended 31 December 2018

	Notes	31.12.18		31.12.17	
		£	£	£	£
Income					
Net capital (losses)/gains	2		(50,492,615)		62,775,940
Revenue	3	16,863,147		15,730,670	
Expenses	4	(8,287,141)		(9,770,152)	
Interest payable and similar charges			(14)		(524)
Net revenue before taxation		<u>8,575,992</u>		<u>5,959,994</u>	
Taxation	5	<u>(55,265)</u>		<u>(633,252)</u>	
Net revenue after taxation			<u>8,520,727</u>		<u>5,326,742</u>
Total return before distributions			(41,971,888)		68,102,682
Distributions/Accumulations	6		<u>(8,520,662)</u>		<u>(5,326,869)</u>
Change in net assets attributable to Unitholders			<u>(50,492,550)</u>		<u>62,775,813</u>

Statement of change in net assets attributable to Unitholders

For the year ended 31 December 2018

	31.12.18		31.12.17	
	£	£	£	£
Opening net assets attributable to Unitholders		664,771,820		636,018,173
Amounts receivable on issue of units	884,216		22,457,952	
Amounts payable on cancellation of units	<u>(40,659,310)</u>	(39,775,094)	<u>(61,675,804)</u>	(39,217,852)
Dilution levy		19,781		34,129
Change in net assets attributable to Unitholders from investment activities (see above)		(50,492,550)		62,775,813
Retained distribution on accumulation units		8,225,668		5,161,557
Unclaimed distributions over 6 years old		<u>1,190</u>		<u>-</u>
Change in net assets attributable to Unitholders		<u>582,750,815</u>		<u>664,771,820</u>

The notes on pages 27 to 36 are an integral part of these financial statements.

Balance sheet

As at 31 December 2018

	Notes	31.12.18		31.12.17	
		£	£	£	£
ASSETS					
Fixed assets:					
Investments			571,748,533		648,585,862
Current assets:					
Debtors	8	5,580,372		2,358,937	
Cash and bank balances	9	<u>7,189,060</u>		<u>15,055,893</u>	
Total current assets			<u>12,769,432</u>		<u>17,414,830</u>
TOTAL ASSETS			584,517,965		666,000,692
LIABILITIES					
Investment liabilities					
			(640,336)		-
Creditors:					
Distribution payable		(27,462)		(39,932)	
Other creditors	10	<u>(1,099,352)</u>		<u>(1,188,940)</u>	
TOTAL LIABILITIES			<u>(1,767,150)</u>		<u>(1,228,872)</u>
Net assets attributable to Unitholders			<u>582,750,815</u>		<u>664,771,820</u>

The notes on pages 27 to 36 are an integral part of these financial statements.

Notes to the financial statements

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

As at 31 December 2018

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in compliance with FRS102 and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association in May 2014 (and amended in June 2017). Unless otherwise stated all accounting policies are consistent with those of the prior year.

(b) Recognition of revenue

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

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

Equalisation received from investment funds is recognised as capital and does not form part of the distribution.

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 and stamp duty reserve tax) 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 31 December 2018, being the last working day of the accounting year.

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

(f) Taxation

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

(g) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 5pm on 31 December 2018, being the last working day of the accounting year.

Notes to the financial statements

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

As at 31 December 2018

2. Net capital (losses)/gains on investments

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

	31.12.18	31.12.17
	£	£
Transaction charges	(33,618)	(77,680)
Currency losses	(111,258)	(119,853)
(Losses)/gains on non-derivative securities	(45,499,402)	63,362,229
Gains/(losses) on derivative contracts	690	(491,025)
Losses/gains on forward foreign exchange contracts	(4,849,027)	102,269
Net capital (losses)/gains on investments	<u>(50,492,615)</u>	<u>62,775,940</u>
Amounts included in net gains on investments in respect of special dividends which were treated as capital	135,921	415,054

3. Revenue

	31.12.18	31.12.17
	£	£
UK dividends	8,285,524	5,929,604
Overseas dividends	851,989	5,615,590
Property income	108,674	103,485
Dividend distributions from overseas authorised ICVCs and unit trusts	2,287,194	289,780
Interest on bonds and other interest bearing securities	5,316,628	3,787,251
Other income	1	1
Bank interest	13,137	4,981
Deposit interest	-	(22)
Total revenue	<u>16,863,147</u>	<u>15,730,670</u>

4. Expenses

	31.12.18	31.12.17
	£	£
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	8,106,252	9,464,596
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Trustee fee	59,791	56,947
Safe custody fee	(7,353)	103,932
Dividend collection expenses	-	11,128
	<u>52,438</u>	<u>172,007</u>
Other expenses:		
Registration fee	125,767	123,520
Audit fee	2,312	9,587
FCA fee	372	372
Property professional fee	-	70
	<u>128,451</u>	<u>133,549</u>
Total expenses	<u>8,287,141</u>	<u>9,770,152</u>

5. Taxation

	31.12.18	31.12.17
	£	£
(a) Analysis of charge in year		
Overseas tax	55,265	632,304
Irrecoverable income tax	-	948
Total current tax charge for year (note 5b)	<u>55,265</u>	<u>633,252</u>

Notes to the financial statements

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

As at 31 December 2018

(b) Factors affecting current tax charge for the year

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

	31.12.18	31.12.17
	£	£
Net revenue before taxation	8,575,992	5,959,994
Corporation tax at 20%	1,715,198	1,191,999
Effects of:		
Revenue not subject to taxation	(2,284,941)	(2,314,140)
Current year expenses not utilised	569,743	1,129,233
Irrecoverable overseas tax	55,265	632,304
Irrecoverable income tax	-	948
Tax relief on overseas tax suffered	-	(7,092)
Current tax charge for year (note 5a)	<u>55,265</u>	<u>633,252</u>

(c) Provision for deferred taxation

At 31 December 2018 there is a potential deferred tax asset of £9,866,719 (31.12.17: £9,296,976) in relation to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

6. Distributions

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

	31.12.18	31.12.17
	£	£
Interim dividend distribution	7,022,921	3,305,879
Final dividend distribution	1,375,318	1,963,044
	8,398,239	5,268,923
Add: Amount deducted on cancellation of units	123,793	59,665
Deduct: Income received on issue of units	(1,370)	(1,719)
Net distribution for the year	<u>8,520,662</u>	<u>5,326,869</u>

7. Movement between net revenue and distributions

	31.12.18	31.12.17
	£	£
Net revenue after taxation	8,520,727	5,326,742
Movement in net income property	(65)	127
Net distribution	<u>8,520,662</u>	<u>5,326,869</u>

8. Debtors

	2018	2017
	£	£
Amounts receivable for issue of units	152	89
Sales awaiting settlement	3,479,230	190,416
Accrued revenue	1,715,737	1,791,246
Income tax recoverable	68	163
Overseas tax recoverable	385,185	377,023
Total debtors	<u>5,580,372</u>	<u>2,358,937</u>

9. Cash and bank balances

	31.12.18	31.12.17
	£	£
Cash and bank balances	7,189,060	15,056,583
Amounts held at derivative clearing houses and brokers	-	(690)
Total cash and bank balances	<u>7,189,060</u>	<u>15,055,893</u>

10. Creditors

	31.12.18	31.12.17
	£	£
Amounts payable for cancellation of units	91,406	357,114
Purchases awaiting settlement	314,774	-
Accrued expenses	693,172	831,826
Total creditors	<u>1,099,352</u>	<u>1,188,940</u>

Notes to the financial statements

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

As at 31 December 2018

11. Reconciliation of units

	Income	Accumulation
	£	£
Opening units issued at 01.01.18	2,617,784	78,812,832
Units issued	40,614	106,000
Units cancelled	<u>(211,500)</u>	<u>(4,885,186)</u>
Closing units at 31.12.18	<u>2,446,898</u>	<u>74,033,646</u>

12. Equalisation

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

13. Contingent liabilities and outstanding commitments

There were no contingent liabilities and outstanding commitments at the balance sheet date (31.12.17: no contingent liabilities and outstanding commitments).

14. Risk in relation to financial instruments

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

These comprise:

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

The Fund does not trade in financial instruments to make short-term speculative gains. It buys investments with the intention of giving long term capital growth and above average income.

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

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

The main risks arising from the Fund's financial instruments are market price risk, foreign currency risk, liquidity risk and credit/counterparty risk. The Manager has policies for managing each of these risks and these are summarised below.

These policies have remained unchanged for the current and prior year.

Notes to the financial statements

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

As at 31 December 2018

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 £57,110,820 (31.12.17: £64,858,586). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £57,110,820 (31.12.17: £64,858,586). These calculations assume all other variables remain constant.

Foreign currency risk

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

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

Revenue received in other currencies is converted to Sterling on the date of receipt. The Manager may seek to manage exposure to currency movements by using forward.

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:

	Net Foreign Currency assets			Net Foreign Currency assets		
	Monetary exposures	"Non-monetary exposures"	Total	Monetary exposures	"Non-monetary exposures"	Total
	31.12.18	31.12.18	31.12.18	31.12.17	31.12.17	31.12.17
	£	£	£	£	£	£
Sterling	10,005,347	408,664,891	418,670,238	14,408,722	439,405,604	453,814,326
Danish Krone	10,697	-	10,697	10,603	-	10,603
Euro	360,796	(81,470)	279,326	462,489	10,020,840	10,483,329
Japanese yen	-	(134,465)	(134,465)	-	-	-
Korean won	1	-	1	1	-	1
Swiss franc	67,380	-	67,380	64,173	-	64,173
United States dollar	1,198,397	162,659,241	163,857,638	1,239,970	199,159,418	200,399,388
Total	11,642,618	571,108,197	582,750,815	16,185,958	648,585,862	664,771,820

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 £16,408,058 (31.12.17: £21,095,749). 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 £16,408,058 (31.12.17: £21,095,749).

Notes to the financial statements

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

As at 31 December 2018

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 1.24% (2.26% as at 31 December 2017) of the Fund's assets by value were interest bearing.

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

Liquidity risk

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

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

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

Credit/counterparty risk

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

The extent of this risk is usually limited as amount awaiting settlement from transactions at any point is only a small proportion of the Fund. This risk is managed by the investment adviser, carefully selecting the authorised counterparties they deal with and dealing only on eligible stock markets. Cash in the Fund is held with the custodian,

HSBC. The Trustee appoints the custodian and has the regulatory responsibility for monitoring them.

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

15. Financial Derivatives

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

Details of the policy adopted by the Manager for managing counterparty and other risks are set out in the Notes to the financial statements. The types of derivatives held at the year end were forward currency contracts. Details of the individual contracts are shown on the portfolio statement on pages 5 to 16, and the total position by the counterparty at the year end is summarised below:

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

Counterparty	Forward Currency	
	31.12.18	31.12.17
	£	£
HSBC Bank	(3,595)	623,179
Goldman Sachs International	(215,935)	-
JP Morgan Securities	(378,279)	-
Royal Bank of Scotland	(37,984)	-

Eligible collateral types are approved by the Manager and may consist of cash, UK gilts, certificates of deposit, treasury bills, sovereign debt, eurosterling bonds and equities.

At 31 December 2018 there was no collateral held in respect of the above derivatives.

16. Post Balance Sheet events

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

Notes to the financial statements

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

As at 31 December 2018

17. Ultimate controlling party and related party transactions

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

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

At the year end, the Manager and its associates held 41.92% (41.90% as at 31 December 2017) of the Fund's units in issue. Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 3, 4, 8 and 10 to the financial statements and the statement of change in net assets attributable to Unitholders and the portfolio statement. Within note 10, accrued expenses (including amounts due to associates and agents) of £648,705 (£717,476 as at 31 December 2017) are due to the Manager.

At the year end the Fund held £438,770,957 (£489,070,872 as at 31 December 2017) in HSBC Holdings, the parent company of the Manager. During the period transactions in HSBC Holdings totalled £187,132,594 (£482,841,149 as at 31 December 2017).

The following party holds a material holding in the Fund as at the year end date: HSBC Global Custody Nominee (UK) LTD - 42.0% (31 December 2017: 41.7%) of the Accumulation units.

There were no units held by the Trustee or its associates. The Manager does not have information to determine if individuals' holdings within the nominee accounts are material.

Related party transactions are disclosed within the Portfolio Statement

Notes to the financial statements

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

As at 31 December 2018

18. Portfolio transaction costs

For the year ended 31 December 2018

	Purchases		Commissions		Taxes	
	£	£	%	£	%	
Analysis of total purchase costs						
Equity transactions	7,492,365	1,029	0.01	34,324	0.46	
Fund transactions	93,437,208	4,223	-	-	-	
Corporate actions	504,583	-	-	-	-	
Total purchases before transaction costs	<u>101,434,156</u>	<u>5,252</u>		<u>34,324</u>		
Transaction costs	<u>39,576</u>					
Total purchases after commission and tax	<u>101,473,732</u>					

	Sales		Commissions		Taxes	
	£	£	%	£	%	
Analysis of total sales costs						
Equity transactions	16,628,673	3,271	0.02	227	-	
Fund transactions	112,668,617	4,308	-	-	-	
Corporate actions	875,779	-	-	-	-	
Total sales before transaction costs	<u>130,173,069</u>	<u>7,579</u>		<u>227</u>		
Transaction costs	<u>(7,806)</u>					
Total sales after Commission and Tax	<u>130,165,263</u>					

Commissions and taxes as % of average Net Assets

Commissions	0.00%
Taxes	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.

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

At the balance sheet date the portfolio dealing spread was 0.05%, being the difference between the respective bid and offer prices for the Fund's investments.

Notes to the financial statements

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

As at 31 December 2018

For the year ended 31 December 2017

	Purchases		Commissions		Taxes	
	£	£	%	£	%	
Analysis of total purchase costs						
Equity transactions	73,619,592	63,532	0.09	51,983	0.07	
Bond transactions	109,814,453	-	-	-	-	
Fund transactions	481,192,626	2,333	-	-	-	
Corporate actions	949,588	-	-	-	-	
Total purchases before transaction costs	665,576,259	65,865		51,983		
Transaction costs	117,848					
Total purchases after commission and tax	665,694,107					

	Sales		Commissions		Taxes	
	£	£	%	£	%	
Analysis of total sales costs						
Equity transactions	467,976,673	277,485	0.06	107,242	0.02	
Bond transactions	217,767,169	55,305	0.03	-	-	
Fund transactions	11,722,849	923	0.01	-	-	
Corporate actions	4,368,227	-	-	-	-	
Total sales before transaction costs	701,834,918	333,713		107,242		
Transaction costs	(440,955)					
Total sales after Commission and Tax	701,393,963					

Commissions and taxes as % of average Net Assets

Commissions	0.06%
Taxes	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.

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

At the balance sheet date the portfolio dealing spread was 0.05%, being the difference between the respective bid and offer prices for the Fund's investments.

Notes to the financial statements

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

As at 31 December 2018

19. Fair value of investments

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

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

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

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

For the year ended 31 December 2018

Category	1	2	3	Total
Investment Assets	£	£	£	£
Equities	132,127,637	-	16,015	132,143,652
Pooled investment vehicles	9,038,754	430,561,584	-	439,600,338
Derivatives	-	4,543	-	4,543
	141,166,391	430,566,127	16,015	571,748,533
Investment Liabilities				
Derivatives	-	(640,336)	-	(640,336)
	-	(640,336)	-	(640,336)

For the year ended 31 December 2017

Category	1	2	3	Total
Investment Assets	£	£	£	£
Equities	161,638,086	-	15,698	161,653,784
Pooled investment vehicles	7,221,873	479,087,026	-	486,308,899
Derivatives	-	623,179	-	623,179
	168,859,959	479,710,205	15,698	648,585,862

20. Sensitivity analysis

The Fund may utilise derivatives for efficient portfolio management and during the year entered into forward foreign exchange contracts in order to minimise the effect of exchange rate movements. The impact upon the Fund of different market movements is not significant.

21. Stock Lending Activities

The Fund does not currently undertake stock lending.

Distribution tables

For the year ended 31 December 2018

Interim

	Net income 2018	Equalisation 2018	Distribution paid 2018	Distribution paid 2017
	pence per unit	pence per unit	pence per unit	pence per unit
Group 1: Units purchased prior to 1 January 2018				
Group 2: Units purchased between 1 January 2018 to 30 June 2018				
Income units				
Group 1	5.6688	-	5.6688	2.5037
Group 2	4.5675	1.1013	5.6688	2.5037
Accumulation units				
Group 1	9.0949	-	9.0949	3.9848
Group 2	7.3280	1.7669	9.0949	3.9848

Final

	Net income 2018	Equalisation 2018	Distribution paid 2018	Distribution paid 2017
	pence per unit	pence per unit	pence per unit	pence per unit
Group 1: Units purchased prior to 1 July 2018				
Group 2: Units purchased between 1 July 2018 to 31 December 2018				
Income units				
Group 1	1.1223	-	1.1223	1.5254
Group 2	0.0000	1.1223	1.1223	1.5254
Accumulation units				
Group 1	1.8206	-	1.8206	2.4401
Group 2	0.0000	1.8206	1.8206	2.4401

Important changes

Prospectus update 31 August 2018:

- Update to Section 3 "Investment Objective, Policy and Strategy" to reflect the current holding figures relating to tracker funds and direct UK equities, and in "Additional information" inclusion of the latest Benchmark Regulation wording.
- Update to Section 4 "Best Execution" to align the name of the "Best Execution Policy" (previously also referred to as the "Order Execution Policy") and to provide updated links to the location of this document on the website. The address for written correspondence has also been updated.
- Update to Section 5 "Fund Property – Exercise Voting Rights" to reflect the amended links to this subject on the website.
- Update to Section 7 "Historical Performance" to include latest figures.
- Update to Section 9 "Distributions" to cover the cessation of short reports.
- Update to Section 12 "Manager" to include the latest director information.
- Update to Section 13 "Delegated Functions" to include latest entity details.
- Update to Section 14 "Trustee" to reflect the new address of the Fund's Trustee.
- Update to Section 15 "Investment Manager" to reflect the correct postcode for HSBC Global Asset Management (UK) Limited.
- Update to Section 21 "Fund Expenses" to remove out of date wording.
- Update to Section 24 "Purchase and Redemption of Units" to reflect the current address to use for written correspondence in relation to purchases and redemptions.
- Update to Section 26 "Dilution Levy" to reflect latest dilution levy figures.
- Update to Section 28 "General Information" to clarify that only long reports will be produced in future.
- Update to Section 29 "Taxation" to reflect the latest information and impact for investors.

- Update to Section 32 "Risks" to include risk information on the UK leaving the European Union.
- Update to Section 33 "Other Matters" to reflect the new address of the regulator. HSBC entity wording has also been clarified as part of the Banking Reform Act (ring-fencing).
- Update to Section 34 "Appendix 1" to show the latest global sub-custodian information.

Prospectus update 7 December 2018:

- Update to opening section to highlight the changes to the telephony support operating times.
- Update to Section 3 "Investment Objective, Policy and Strategy" to reflect the current holding figures relating to tracker funds and direct UK equities.
- Amendment to Section 21 "Fund Expenses" to replace the global custody charges' table with wording summarising the range of the fees charged.
- Update to Section 24 "Purchase and Redemption of Units" to highlight the changes to the telephony support operating times.
- Update to Section 26 "Dilution Levy" to reflect latest dilution levy figures.

The following changes have been made to the Fund's Key Investor Information Document (KIID) during the reporting period ending 31 December 2018:

Changes made to the KIID republished 19 February 2018:

- Update of "Past performance" to include performance data for 2017.
- Update to "Charges for this Fund" to reflect latest dilution levy figures.
- Update to "Charges for this Fund" to reflect the current ongoing charges' figure.

Important changes

- Update to the "Investment Objectives and Policy" wording to remove any reference to the Investment Manager.
- Update to the "Investment Objectives and Policy" wording to reflect the current holding figures relating to tracker funds and direct UK equities.
- Update to "Practical information" to reflect the new address of the Fund's Trustee.
- Update to "Risk and reward profile" to include clarificatory wording changes.
- Updates throughout KIID to reflect that references of "Authorised Fund Manager" have been changed to "Manager".

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

Changes made to the KIID republished 24 December 2018:

- Update to "Objectives and investment policy" to reflect the current holding figures relating to tracker funds and direct UK equities.
- Update to "Risk and reward profile" to reflect the change in the Fund's risk rating from SRRI 5 to SRRI 4.
- Update to "Charges for this Fund" to reflect latest dilution levy figures.

Remuneration

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

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

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

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

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

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

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