

Santander Equity Income Unit Trust

Annual report for the year ended 15 February 2020

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*Collectively, these comprise the Manager's Report in accordance with the Investment Management Association (IMA) SORP (2014) and the Collective Investment Schemes Sourcebook.

Manager's report

for the year ended 15 February 2020

The Santander Equity Income Unit Trust (the "Scheme") is an authorised unit trust scheme, as defined by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Financial Services and Markets Act 2000, as amended, (together "the Regulations").

The Manager of the Scheme is Santander Asset Management UK Limited, which is a private company limited by shares incorporated in Scotland. The ultimate holding company of the Manager is Banco Santander S.A., which is incorporated in Spain.

The Financial Conduct Authority has issued the Scheme with an Undertaking for Collective Investment in Transferable Securities ("UCITS") Certificate which allows the Scheme to enjoy the rights conferred by the European Union UCITS Directive.

The use of financial instruments by a securities Scheme is set out in COLL. A securities Scheme is required to be invested in transferable securities in accordance with any restrictions set out in those regulations and the Scheme particulars.

The Scheme may hold cash and near cash assets where this may reasonably be regarded as necessary in order to enable: the pursuit of the Scheme's investment objective; the redemptions of units in that Scheme; any other purpose which may reasonably be regarded as ancillary to the objectives of the Scheme. It may borrow, providing such borrowing is on a temporary basis, and does not exceed the limits applicable to the Scheme.

The Manager may enter into derivative or forward transactions for the purposes of efficient portfolio management. This is not expected to increase the risk profile of the Scheme.

For further information please refer to the latest Prospectus which is available on www.santanderassetmanagement.co.uk.

The Manager is of the opinion it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Scheme consist predominantly of securities which are readily realisable and, accordingly, the Scheme has adequate financial resources to continue in operational existence for at least the next twelve months from the approval of the financial statements. Further, appropriate accounting policies, consistently applied and supported by appropriate judgements and estimates, have been used in the preparation of these financial statements and applicable accounting standards have been followed.

Other information required for the Manager's report per COLL 4.5.9R are disclosed elsewhere in this report.

Significant Information

Remuneration Disclosure

The European Securities and Markets Authority (ESMA) published guidelines on sound remuneration policies under the UCITS V Directive in March 2016. As a result the Manager has been subject to the UCITS V remuneration guidelines from 1 January 2017.

In order for the Scheme to meet its obligations under the UCITS V directive it will need to ensure that all information provided in the annual report is presented in a manner that provides materially relevant, reliable, comparable and clear information.

Manager's report (continued)

for the year ended 15 February 2020

Significant Information (continued)

Remuneration Disclosure (continued)

In line with ESMA guidance and as part of our commitment to provide full disclosure on remuneration for all periods beginning on or after 1 January 2017, we have provided:

- The total amount of remuneration for the financial year, split into fixed and variable remuneration awarded by the management company and the investment company to its staff, and the number of beneficiaries;
- The aggregate amount of remuneration broken down by categories of staff.

Santander Asset Management UK Limited ("SAM UK") is subject to the Remuneration Codes set out in Chapters 19A, 19B and 19E of the FCA's Senior Management Arrangements, Systems and Controls (SYSC) Handbook (together "the Remuneration Codes").

Remuneration is based and calculated on a number of factors these include:

- Annual Pay review - Awards are based upon individual performance subject to affordability and with reference to market rates.
- Annual Bonus (Short-term Incentive Compensation) - Schemes are based upon a combination of Company and Personal Performance. Individual bonus targeted awards are informed and set by reference to market rates. Company results adjust the level of personal performance awards available based upon agreed business measures such as New Money, Assets, profit and loss, customer scope, expenses etc.

SAM UK promotes a sound and effective risk management and supports the companies business objectives, values and interests of the UCITS it manages and the investors therein. As such, variable remuneration of employees who have a material impact on the risk profile of the UCITS are subject to deferral and payment in non-cash instruments.

The Manager remains committed to reviewing the remuneration policy on an annual basis in line with best practice, and the scope and complexity of its business, and will maintain full disclosure of any changes in future reports and accounts.

For the year ended 31/12/2019 *	Fixed Remuneration	Variable Remuneration	Total Remuneration	No. of Beneficiaries
Total remuneration awarded by SAM UK during the financial year.	£13,220,392	£6,280,125	£19,500,517	107
Remuneration awarded to Code Staff.**	£4,350,567	£3,220,276	£7,570,843	16

* The remuneration disclosed above is in relation to the remuneration awarded by Santander Asset Management UK Limited during the financial year 1 January 2019 to 31 December 2019.

** Employees of the Manager who have a material impact on the risk profile of the Scheme are Directors, Key Senior Management Roles and Investment Desk Heads, and are identified collectively as Code Staff.

Manager's report (continued)

for the year ended 15 February 2020

Assessment of Value

Under COLL 6.6.20R (1), Santander Asset Management UK limited, the Authorised Unit Trust Manager of the Scheme, must conduct an assessment at least annually for each UK authorised Scheme it manages of whether the fees set out in the prospectus are justified in the context of overall value delivered to unitholders. This assessment of value must, as a minimum, consider the following seven criteria as set out by the regulator:

- Quality of Service
- Performance
- Authorised Fund Manager Costs
- Economies of Scale
- Comparable Market Rates
- Comparable Services
- Classes of Units

SAM UK have chosen to publish our statements of value across our full range of UK authorised Schemes in a separate composite report with a reference date of 31 December each year on our website at www.santanderassetmanagement.co.uk. Our composite reports will be available annually on 30 April. The first composite report is available on our website.

Coronavirus

The rapid rise in the number of hospital admissions and deaths from Coronavirus has resulted in an unprecedented fall in domestic economic activity and further weakness in Sterling as global investors have sought safe-haven assets.

Although the immediate outlook remains uncertain, most UK-listed companies have strong enough balance sheets and geographical diversification to cope with a short-term downturn. However, in an effort to help preserve cash during this difficult time, many companies have taken the decision to suspend the payment of dividends.

Despite this disappointment, the valuation of UK equities remains attractive on most metrics, both relative to other equity markets and the UK's own history. The UK also remains unloved by global investors, while Sterling is now close to a 30 year low on an OECD Purchasing Power Parity basis.

Changes in the period

Merger

On 18 November 2019, Santander Dividend Income Portfolio (a sub-fund of Santander Managed Investments OEIC 3) was merged into the Scheme by way of a scheme of arrangement.

Sub-Investment Manager changes

Effective on 14 February 2020, the Manager appointed BlackRock Advisors (UK) Limited as Sub-Investment Manager of the entire Scheme on a caretaker basis for an interim period which was anticipated to last no longer than 3 months.

Effective on 27 March 2020, the delegation of investment management to BlackRock Advisors (UK) Limited as Sub-Investment Manager was terminated and investment management of the entire Scheme returned to the Manager.

Manager's Statement

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.

Statement of Authorised Unit Trust Manager's responsibilities

The Authorised Unit Trust Manager (the "Manager") of Santander Equity Income Unit Trust (the "Scheme" or the "Trust") is responsible for preparing the annual report and the financial statements in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Scheme's Trust Deed.

COLL requires the Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Scheme and the net revenue and the net capital gains or losses on the property of the Scheme for the period and to comply with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice (SORP) "Financial Statements of UK Authorised Funds" issued by the Investment Management Association (IMA) in May 2014.

In preparing the financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make appropriate judgements and best estimates;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in business.

The Manager is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Scheme and enable it to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The Manager is also responsible for the system of internal controls, for safeguarding the assets of the Scheme, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Manager's report which complies with the requirements of the Scheme's Trust Deed, Prospectus and COLL.

In accordance with COLL 4.5.8R, the Annual Report and the audited financial statements were approved by the board of directors of the Manager of the Scheme and authorised for issue on 9 June 2020.

Mehdi Kadhim

Director

For and on behalf of Santander Asset Management UK Limited

Manager of Santander Equity Income Unit Trust

9 June 2020

Huw Price

Director

Report of the Trustee to the Unitholders of Santander Equity Income Unit Trust

Statement of the Trustee's Responsibilities

The Trustee must ensure that the Scheme 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 Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

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

The Trustee must ensure that:

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

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

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

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

NatWest Trustee and Depositary Services Limited
Edinburgh
February 2020

Independent auditors' Report to the Unitholders of Santander Equity Income Unit Trust

Report on the audit of the financial statements

Opinion

In our opinion, the Santander Equity Income Unit Trust (the "Trust")'s financial statements:

- give a true and fair view of the financial position of the Trust as at 15 February 2020 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report, which comprise: balance sheet as at 15 February 2020; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; the accounting policies; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern.

Independent auditors' Report to the Unitholders of Santander Equity Income Unit Trust

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Authorised Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

As explained more fully in the Statement of Authorised Unit Trust Manager's Responsibilities set out on page 5, the Authorised Fund Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for 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.

In preparing the financial statements, the Authorised Fund Manager is responsible for 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 the Authorised Fund Manager either intend to wind up or terminate the Trust, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' Report to the Unitholders of Santander Equity Income Unit Trust

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
9 June 2020

Investment commentary

for the year ended 15 February 2020

Investment Objective*

The Scheme's objective is to provide an income, with some potential for capital growth, over a 5+ year time horizon.

Investment Policy*

The Scheme aims to achieve its objective by investing at least 80% in a wide range of shares issued by listed companies domiciled, incorporated or which conduct a significant part of their business in the UK, generally comprised within the Constraint Benchmark stated below.

To obtain exposure to these assets, the Scheme's investments will typically be accessed directly but up to 10% of the Scheme's investments may be accessed indirectly by purchasing units in Collective Investment Schemes managed by other companies and / or the Manager or other companies within the Santander Group.

The Manager has the discretion to manage the Scheme according to its investment views and opportunities identified as market and economic conditions change. It will select investments that it believes will best achieve the Scheme's objective. An assessment will be completed on all investment opportunities before any investment decisions are made. The extent to which the composition of the Scheme will differ from that of the Constraint Benchmark will vary from time to time, subject to the Scheme at all times investing at least 80% in a wide range of shares issued by listed companies generally comprised within the Constraint Benchmark stated below.

At least 80% of the Scheme will at all times be invested in the asset classes described above, but it has the flexibility to invest in other assets globally, such as shares, bonds, cash, near cash and other money market instruments.

The Scheme is managed with reference to the FTSE All Share Index as a Constraint Benchmark. The FTSE All Share Index is provided by FTSE, which is included in the public register of administrators and benchmarks established and maintained by the European Securities and Markets Authority from 1 January 2018.

The Scheme may use Derivatives for Efficient Portfolio Management.

*Following the FCA Asset Management Market Study (PS19/4), the Investment Objective and Investment Policy were updated to incorporate the resulting rules and guidance, these changes were effective from 1st August 2019.

Further Information

The Constraint Benchmark for the Scheme is the FTSE All Share Index, which means the Manager is specifically limited to manage the Scheme, and make any decisions to invest or not invest in an asset, with reference to this Benchmark. When managing by reference to this Benchmark, the Manager may diverge from the assets contained within the Constraint Benchmark and retains discretion regarding the selection and weighting of assets. This Constraint Benchmark has been selected for the Scheme as it best represents the investments that the Manager has to choose from as specified in its investment objective and policy.

Variable remuneration of employees of the Manager who have a material impact on the Scheme is determined by assessing a number of different factors. Insofar as these relate to investment performance, any assessment will be made by comparing Scheme performance relative to the Constraint Benchmark as well as a commercial peer group of competitor funds with similar investment objectives and policies.

The base currency of the Scheme is UK sterling.

Investment commentary (continued)

for the year ended 15 February 2020

Sub-Investment Manager

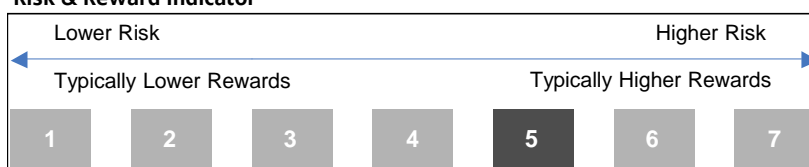
Effective on 14 February 2020, the Manager appointed BlackRock Advisors (UK) Limited as Sub-Investment Manager of the entire Scheme on a caretaker basis for an interim period which was anticipated to last no longer than 3 months.

Effective on 27 March 2020, the delegation of investment management to BlackRock Advisors (UK) Limited as Sub-Investment Manager was terminated and investment management of the entire Scheme returned to the Manager.

Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of adverse effects from changes in interest rates, foreign exchange and stock market fluctuations. The Manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective. The Scheme does not borrow in the normal course of business.

Risk & Reward Indicator



The risk and reward indicator shown above is based on historical data which may not be a reliable indication for the future risk profile of the Scheme.

The lowest risk and reward indicator does not mean risk free.

The risk and reward indicator shown is not guaranteed and may change over time.

Performance

Percentage Price Change from 15 February 2019 to 14 February 2020	
Santander Equity Income Inst Inc	15.94%
FTSE All-Share Index*	9.08%

Source Lipper - NAV at noon, bid to bid, net of fees, revenue reinvested, primary unit class

Market index returns are based on daily index valuations as at close-of-business of the relevant market. Source Factset.

Past performance is not a guarantee of future performance. The value of investments and the revenue from them can go down as well as up and investors may not get back the amount originally invested.

*Following the FCA Asset Management Market Study (PS19/4) the benchmark has been classified as "Constraint". This change was effective on 1st August 2019.

Market Review

The 12 month period ending on the 14 February 2020 saw ongoing political risk drive markets as trade uncertainty, such as Brexit, the US-China trade wars, and ongoing political instability across mainland Europe, namely protests in France and Germany's turbulent coalition, dominated investor sentiment. This was felt strongly during the third quarter of the year where markets experienced high amounts of volatility.

Investment commentary (continued)

for the year ended 15 February 2020

Market Review (continued)

However, the easing of global monetary conditions since the start of 2019 helped drive a rebound in global macroeconomic data towards the end of 2019, which in turn pushed both equity and bond prices higher. The European Central Bank introduced its own easing measures designed to promote growth in the area, announcing a restart of its flagship Quantitative Easing programme.

In the UK, dominating the news was the ruling Conservative Party winning a landslide victory in the December General Election. The result meant that the UK left the European Union on 31 January 2020.

Performance Review

Over the period, the Scheme delivered a return of 15.94%, outperforming its benchmark, which returned 9.08%.

Strengthening of the Pound and recovering sentiment towards domestically oriented businesses were positive for the Scheme's strategy. Mid and small cap stocks (i.e. FTSE 250 Index) outpaced larger overseas earners (i.e. FTSE 100 Index) by a total of 11.2%.

Both asset allocation and stock selection contributed to the Scheme's outperformance over the period. Most notably, overweight positions in information technology and consumer discretionary, as well as underweights in the energy sector were beneficial relative to the benchmark.

Holdings in Softcat (information technology) as well as Berkeley Group and Games Workshop Group (consumer durables) were amongst the Scheme's best performers. Games Workshop is a quality business with significant barriers to entry and the company's share price has been supported by growing revenues and increasing profitability levels. There was also a benefit of being underweight in HSBC Holdings PLC as banks continue to be challenged in an environment of low interest rates.

The Scheme's overall strategy remains largely unchanged. We continue to focus on building a fundamental bottom-up portfolio with a bias to domestic and smaller capitalisation equities that exhibit higher than average profit margins and lower leverage ratios.

Market Outlook

Despite the recent positive performance of UK equities, overall valuation levels continue to look attractive, particularly on a relative basis against other developed equity markets. However, the uncertain macroeconomic and political environment have created a number of dislocations in equity markets as investors are willing to pay increasingly higher prices to own assets that generate stable and predictable earnings.

Investment commentary (continued)

for the year ended 15 February 2020

Market Outlook (continued)

At the time of writing this report, the outbreak and rapid global spread of the novel coronavirus (2019-nCoV) has seized the attention of the world. It is yet unclear what implications this development may have on the real economy and financial markets, but we are conscious that we enter a period of increased uncertainty and volatility. We are aware of this and will monitor the situation closely. It is our belief that strategy and security selection will play an even more important role for the Scheme going forwards.

Robert McElvanney

Head of Strategic Investment Solutions

For and on behalf of Santander Asset Management UK Limited

March 2020

Summary of material portfolio changes

for the year ended 15 February 2020

Purchases	Cost			Proceeds	
	£	Note		£	Note
Lundin Petroleum	3,572,138		BP	3,163,277	
International Consolidated Airlines Group	2,678,448		Royal Dutch Shell B	3,048,587	
Redrow	2,152,374		Prudential	2,766,595	
British American Tobacco	2,002,365		IG Group Holdings	2,296,636	
M&G Ordinary Shares	1,979,012		Softcat	1,890,503	
Imperial Brands	1,962,457		Green REIT	1,744,023	
Strix Group	1,731,451		Berkeley Group Holdings	1,604,282	
C&C Group	1,657,427		Paypoint	1,500,826	
RELX	1,376,112		3i Ord	1,434,941	
BP (GBP)	1,295,649		Telenor ASA	1,397,748	
United Utilities Group	1,282,539		Inspired Energy	1,219,585	
Barclays	1,250,909		HAYS	1,217,901	
FDM Group (Holdings)	1,078,116		Schroders	1,209,962	
Legal & General Group	1,074,561		Midwich Group	1,139,113	
CRODA INTERNATIONAL	1,009,547		Victrex	1,049,826	
Volkswagen	927,724		Taylor Wimpey	1,036,455	
Morrison (Wm) Supermarkets	924,258		Polypipe Group	982,016	
Hibernia REIT	870,161		Croda International	979,210	
Hollywood Bowl Group	860,777		Volkswagen	971,670	
National Grid	834,231		Tritax Big Box	966,380	
Total cost of purchases for the period	<u>42,280,299</u>	16	Total proceeds from sales for the period	<u>47,353,647</u>	16

The total cost of the purchases includes the transfers relating to the merger with Santander Dividend Income Portfolio

Portfolio statement

as at 15 February 2020

	Holding or nominal value of positions at 15 February	Market value £	Percentage of total net assets %
Investment			
Equities 99.51% (101.23%)			
Aerospace & Defence 0.63% (0.83%)			
QinetiQ Group	220,089	863,189	0.63
		863,189	0.63
Banks 7.05% (7.83%)			
Close Brothers Group	264,011	3,849,281	2.81
DNB	262,035	3,799,999	2.77
HSBC Holdings	224,049	1,321,217	0.96
Secure Trust Bank	46,656	699,840	0.51
		9,670,337	7.05
Chemicals 0.46% (1.95%)			
Victrex	27,001	626,423	0.46
		626,423	0.46
Construction & Materials 1.47% (1.92%)			
Eurocell	491,176	1,267,234	0.92
Severfield	839,447	747,108	0.55
		2,014,342	1.47
Electronic & Electrical Equipment 2.83% (1.07%)			
Strix Group	1,055,265	1,918,472	1.40
XP Power	61,007	1,964,425	1.43
		3,882,897	2.83
Food & Beverages 2.73% (1.35%)			
C&C Group	251,549	955,886	0.70
Hilton Food Group	142,509	1,521,996	1.11
Morrison (Wm) Supermarkets	465,065	847,116	0.62
Origin Enterprises	133,191	404,868	0.30
		3,729,866	2.73
Forestry & Paper 1.96% (1.79%)			
Mondi	160,976	2,688,299	1.96
		2,688,299	1.96
General Financial 8.95% (9.58%)			
3i Group	168,676	1,973,509	1.44
Barclays	754,811	1,316,995	0.96
Intermediate Capital Group	41,652	753,901	0.55
M&G	1,030,638	2,568,350	1.87
Onesavings Bank	565,220	2,468,881	1.80
Schroders	125,543	3,188,792	2.33
		12,270,428	8.95

Portfolio statement (continued)

as at 15 February 2020

Investment	Holding or nominal value of positions at 15 February	Market value £	Percentage of total net assets %
Household Goods 8.76% (7.56%)			
Berkeley Group	60,796	3,246,506	2.37
Headlam Group	163,502	855,116	0.62
Redrow	360,436	2,966,388	2.17
Taylor Wimpey	856,545	1,973,480	1.44
Unilever	64,206	2,958,291	2.16
		11,999,781	8.76
Insurance 7.16% (8.50%)			
Admiral Group	72,861	1,742,835	1.27
Legal & General Group	1,407,297	4,466,761	3.26
Prudential	94,723	1,402,848	1.02
Sabre Insurance Group	231,372	747,331	0.55
St James's Place	122,212	1,449,434	1.06
		9,809,209	7.16
Media 4.70% (3.04%)			
4imprint Group	56,354	1,870,953	1.37
RELX	220,779	4,563,502	3.33
		6,434,455	4.70
Mining 7.43% (8.72%)			
Anglo American	172,830	3,781,521	2.76
BHP Group	66,082	1,142,161	0.83
Central Asia Metals	734,710	1,572,279	1.15
Rio Tinto	87,155	3,685,785	2.69
		10,181,746	7.43
Oil & Gas 8.66% (12.78%)			
Diversified Gas & Oil	2,454,234	2,066,465	1.50
Lundin Petroleum	175,603	4,217,966	3.08
Royal Dutch Shell B	225,152	4,378,306	3.20
TOTAL	31,730	1,200,959	0.88
		11,863,696	8.66
Pharmaceuticals & Biotechnology 6.04% (5.61%)			
GlaxoSmithKline	293,145	5,049,716	3.69
Roche Holding	12,016	3,221,457	2.35
		8,271,173	6.04
Real Estate 2.54% (4.59%)			
Sirius Real Estate	2,999,232	2,867,266	2.09
Tritax Big Box REIT	420,849	615,702	0.45
		3,482,968	2.54

Portfolio statement (continued)

as at 15 February 2020

Investment	Holding or nominal value of positions at 15 February	Market value £	Percentage of total net assets %
Retailers 1.03% (1.08%)			
Inchcape	108,141	698,591	0.51
Vertu Motors	1,957,190	706,545	0.52
		1,405,136	1.03
Support Services 3.82% (7.12%)			
Ashtead Group	101,290	2,730,778	1.99
Bunzl	29,780	581,008	0.42
Electrocomponents	122,766	860,099	0.63
SThree	295,202	1,064,203	0.78
		5,236,088	3.82
Tech - Software & Services 5.27% (4.48%)			
FDM Group Holdings	168,682	1,696,941	1.24
Softcat	441,195	5,523,761	4.03
		7,220,702	5.27
Telecommunications nil (1.08%)		-	-
Tobacco 8.00% (5.71%)			
British American Tobacco	240,134	8,369,871	6.11
Imperial Brands	137,387	2,589,195	1.89
		10,959,066	8.00
Travel & Leisure 6.80% (2.12%)			
Games Workshop Group	43,907	3,088,857	2.25
Hollywood Bowl Group	884,689	2,503,670	1.83
International Consolidated Airlines Group	583,947	3,725,582	2.72
		9,318,109	6.80
Utilities 3.22% (2.52%)			
National Grid	294,619	3,045,771	2.22
United Utilities Group	135,706	1,361,131	1.00
		4,406,902	3.22
Total Equities		136,334,812	99.51
Total portfolio of investments		136,334,812	99.51
Net other assets		669,674	0.49
Total net assets		137,004,486	100.00

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distributions as at 15 February 2019.

Comparative tables

Change in net asset value per unit	Retail Income Units			Institutional Income Units		
	2020	2019	2018	2020	2019	2018
	p	p	p	p	p	p
Opening net asset value per unit	205.15	213.34	215.49	242.43	251.39	252.86
Return before operating charges	33.82	3.74	11.55	39.95	5.13	13.60
Operating charges	(1.14)	(1.13)	(2.07)	(1.34)	(1.34)	(1.39)
Return after operating charges	32.68	2.61	9.48	38.61	3.79	12.21
Distributions	(10.46)	(10.80)	(11.63)	(12.41)	(12.75)	(13.68)
Closing net asset value per unit	227.37	205.15	213.34	268.63	242.43	251.39
**after direct transaction costs of	0.32	0.40	0.51	0.38	0.47	0.60
Performance	2020	2019	2018	2020	2019	2018
Return after charges*	15.93%	1.22%	4.40%	15.93%	1.51%	4.83%
Closing net asset value (£'s)	129,938,642	119,908,259	131,921,281	6,204,344	4,824,267	5,800,112
Closing number of units	57,148,034	58,449,594	61,835,641	2,309,645	1,989,980	2,307,238
Operating charges**	0.53%	0.53%	0.93%	0.53%	0.53%	0.53%
Direct transaction costs***	0.15%	0.19%	0.23%	0.15%	0.19%	0.23%
	p	p	p	p	p	p
Highest unit price	233.6	232.4	230.9	276.0	274.1	271.3
Lowest unit price	198.1	188.3	213.1	234.1	222.5	250.8

*The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figures quoted in the Investment commentary. The Investment commentary performance figure is calculated using the last available published price for the given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Scheme pricing policy, while the price per the financial statements values the Scheme on a bid-price basis.

**The Manager's periodic charge for the Retail Income unit class reduced from 0.90% to 0.50% on 31 October 2018.

***Direct transaction costs include broker commissions and taxes paid by the Scheme on each purchase or sale transaction, some of the direct transaction costs for the period were recovered directly from investors joining and leaving the Scheme.

Comparative tables (continued)

Change in net asset value per unit	Institutional Accumulation Units		
	2020	2019	2018
	p	p	p
Opening net asset value per unit	173.65	171.30	163.47
Return before operating charges	29.65	3.27	8.74
Operating charges	(0.99)	(0.92)	(0.91)
Return after operating charges	28.66	2.35	7.83
Distributions	(9.00)	(8.78)	(8.92)
Retained distributions on accumulation units	9.00	8.78	8.92
Closing net asset value per unit	202.31	173.65	171.30
**after direct transaction costs of	0.28	0.32	0.40

Performance	2020	2019	2018
Return after charges*	16.50%	1.37%	4.79%
Closing net asset value (£'s)	861,500	440,047	349,087
Closing number of units	425,834	253,413	203,790
Operating charges	0.53%	0.53%	0.53%
Direct transaction costs**	0.15%	0.19%	0.23%
	p	p	p
Highest unit price	204.5	186.8	180.7
Lowest unit price	171.7	155.8	162.5

*The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figures quoted in the Investment commentary. The Investment commentary performance figure is calculated using the last available published price for the given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Scheme pricing policy, while the price per the financial statements values the Scheme on a bid-price basis.

**Direct transaction costs include broker commissions and taxes paid by the Scheme on each purchase or sale transaction, some of the direct transaction costs for the period were recovered directly from investors joining and leaving the Scheme.

Financial Statements - Santander Equity Income Unit Trust

Statement of total return

for the year ended 15 February 2020

	Note	2020		2019	
		£	£	£	£
Income					
Net capital gains/(losses)	3		14,028,913		(4,052,483)
Revenue	4	6,371,247		7,059,513	
Expenses	5	(673,861)		(1,085,971)	
Interest payable and similar charges	6	(607)		(160)	
Net revenue before taxation		5,696,779		5,973,382	
Taxation	7	(26,250)		(154,168)	
Net revenue after taxation			5,670,529		5,819,214
Total return before distributions			19,699,442		1,766,731
Distributions	8		(6,303,615)		(6,856,104)
Change in net assets attributable to unitholders					
from investment activities			13,395,827		(5,089,373)

Statement of change in net assets attributable to unitholders

for the year ended 15 February 2020

	2020		2019	
	£	£	£	£
Opening net assets attributable to unitholders		125,172,573		138,070,480
Unit exchange issues on inspecie transfers*	2,697,644		-	
Amounts receivable on issue of units	7,688,260		6,299,797	
Amounts payable on cancellation of units	(11,982,642)		(14,141,653)	
		(1,596,738)		(7,841,856)
Dilution adjustment		3,374		11,828
Change in net assets attributable to unitholders				
from investment activities		13,395,827		(5,089,373)
Retained distributions on accumulation units		29,450		21,494
Closing net assets attributable to unitholders		137,004,486		125,172,573

*On 18th November 2019 the Scheme merged with Santander Dividend Income Portfolio by way of a scheme of arrangement.

Balance sheet

as at 15 February 2020

	Note	2020 £	2019 £
Assets:			
Fixed assets:			
Investments		136,334,812	126,717,464
Current assets:			
Debtors	9	603,371	772,672
Cash and bank balances	10	4,031,444	2,694,776
Total assets		<u>140,969,627</u>	<u>130,184,912</u>
Liabilities:			
Creditors			
Bank overdrafts	10	(1,212,270)	(1,909,740)
Distributions payable	8	(2,174,738)	(2,853,398)
Other creditors	11	(578,133)	(249,201)
Total liabilities		<u>(3,965,141)</u>	<u>(5,012,339)</u>
Net assets attributable to unitholders		<u><u>137,004,486</u></u>	<u><u>125,172,573</u></u>

Notes to the financial statements

for the year ended 15 February 2020

1. Accounting policies

a. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice ("SORP") for the Financial Statements of UK Authorised Funds issued by the Investment Management Association (IMA) in May 2014.

As described in the Manager's Report on page 2, the Manager continues to adopt the going concern basis in preparation of the accounts.

b. Valuation of investments

Fair Value Hierarchy - Valuation techniques

Level 1 - Quoted prices for identical assets and liabilities in active markets that the entity can access at measurement date. This includes equities, government bonds, options, futures and exchange traded funds.

Level 2 - Observable inputs, such as publicly available market data about actual events and transactions. This includes Collective Investment Scheme securities, fixed interest securities excluding government bonds and forward foreign exchange trades.

Level 3 - Unobservable Inputs where relevant observable market data is not available. This includes suspended or de-listed assets.

Quoted investments are valued at market value at 12 noon on 14 February 2020, being the last business day prior to 15 February 2020. Market value is defined by the SORP as fair value, which generally is the bid value of each security.

c. Foreign exchange

The base currency of the Scheme is Sterling which is taken to be the Scheme's functional currency, due to this being the principal economic environment.

All transactions in foreign currencies are converted into Sterling at the rates of exchange ruling at the dates of such transactions.

The resulting exchange differences are disclosed in the Statement of total return. Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate ruling on that date.

d. Revenue

Revenue is recognised in the Statement of total return on the following basis:

Dividends are recognised as revenue on the date when the securities are quoted ex-dividend.

Notes to the financial statements (continued)

for the year ended 15 February 2020

1. Accounting policies (continued)

d. Revenue (continued)

Income distributions from UK Real Estate Investment Trusts ('UK REITs') is split into two parts, a Property Income Distribution (PID) made up of rental revenue and a non-PID element, consisting of non-rental revenue. The PID element is subject to corporate tax as schedule A revenue, while the non-PID element is treated as franked revenue.

Interest on bank deposits is recognised on an earned basis.

Ordinary scrip dividends are recognised wholly as revenue on the basis of the market values of the shares on the date that they are quoted ex-dividend. Where an enhancement is offered the amount by which the market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is taken to capital. The ordinary element of scrip dividends is treated as revenue and forms part of the Scheme's distributions.

Revenue is allocated to the unit class on a daily basis in line with the apportionment factor which is calculated daily.

e. Expenses

All expenses, other than those relating to the purchase and sale of investments, are paid out of the property of the Scheme as they are incurred. These can be paid from revenue or capital dependent on the specific investment objective of the Scheme. Expenses payable from the revenue of the Scheme are included in the final distribution. Expenses payable from capital property of the Scheme may constrain the capital growth of the Scheme.

Management fees are charged to the relevant unit class against revenue and are then reallocated to capital. All other expenses, except those directly related to the purchase and sale of securities are charged against revenue in the relevant unit class.

If expenses should be deducted from revenue but in the opinion of the Manager, there is insufficient revenue property for this purpose, the payment may be made from the capital property of the Scheme.

Audit fees relate to audit of the Scheme's financial statements.

f. Taxation

Tax payable on revenue is recognised as an expense in the period in which revenue arises. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Overseas revenue received is predominately exempt from UK Corporation tax. The exempt overseas revenue and the tax implication is included within the Notes to the financial statements.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates or substantively enacted tax rates by the balance sheet date are used in the determination of current and deferred taxation.

Tax payable on revenue is calculated based on the revenue allocated to the specific unit class.

Notes to the financial statements (continued)

for the year ended 15 February 2020

1. Accounting policies (continued)

g. Efficient portfolio management

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts are used for efficient portfolio management purposes. Where such instruments are used to protect or enhance revenue and the circumstances support it, the revenue or expenses derived there from are included in the Statement of total return as revenue related items. Where such instruments are used to protect or enhance capital and the circumstances support it, the gains and losses derived there from are included in the Statement of total return as capital related items.

h. Cash flow statement

The Scheme is not required to produce a cash flow statement as it meets the exemption criteria set out in FRS 102 7.1A as the Scheme's investments are highly liquid and carried at market value and a Statement of change in net assets is provided for the Scheme.

i. Dilution Adjustment

The Manager may require a dilution adjustment on the sale and redemption of units if, in its opinion, the existing unitholders (for sales) or remaining unitholders (for redemptions) might otherwise be adversely affected. In particular, the dilution adjustment may be charged in the following circumstances: where the Company property is in continual decline where a Scheme is experiencing large levels of net sales relative to its size; where a Scheme is experiencing net sales or net redemptions on a day equivalent to 3% or more of the size of that Scheme on that day; in any case where the Manager is of the opinion that the interests of remaining unitholders require the imposition of a dilution adjustment.

2. Distribution policies

a. Basis of distribution

The distribution policy of the Scheme is to distribute all available revenue after deduction of expenses and taxation payable from revenue. Currently all expenses, other than management fees, are payable from revenue. Distributions attributable to income units are paid to unitholders. Distributions attributable to accumulation units are re-invested in the Scheme on behalf of the unitholders.

b. Revenue

All revenue is included in the final distribution of the Scheme, with reference to the Accounting policies for revenue disclosed in note 1d.

c. Expenses

Expenses payable from the revenue of the Scheme are included in the final distribution, with reference to the Accounting policies for expenses in note 1e.

d. Allocation of revenue and expenses to multiple unit classes

All revenue and expenses which are directly attributable to a particular unit class are allocated to that unit class. All revenue and expenses which are attributable to the Scheme are allocated to the Scheme and are normally allocated across the unit classes pro rata to the net asset value of each class on a daily basis.

Notes to the financial statements

for the year ended 15 February 2020

3. Net capital gains / (losses)	2020	2019
	£	£
Non-derivative securities	14,669,195	(3,996,309)
Derivative contracts	(607,155)	-
Currency losses	(23,356)	(47,669)
Transaction charges	(9,771)	(8,505)
Net capital gains / (losses)	<u>14,028,913</u>	<u>(4,052,483)</u>
4. Revenue	2020	2019
	£	£
UK dividends	5,261,264	6,106,695
Overseas UK tax exempt revenue	927,654	823,903
Unfranked revenue	71,256	127,986
Scrip dividends	108,319	-
Bank interest	2,754	929
Total revenue	<u>6,371,247</u>	<u>7,059,513</u>
5. Expenses	2020	2019
	£	£
Payable to the Manager, associates of the Manager and agents of either of them:		
Management charge	<u>641,219</u>	<u>1,052,998</u>
	<u>641,219</u>	<u>1,052,998</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fees	<u>15,389</u>	<u>16,208</u>
Other expenses:		
Audit fees	9,625	9,300
Safe custody fees	3,791	3,936
FCA fee	102	113
Tax service fees	<u>3,735</u>	<u>3,416</u>
	<u>17,253</u>	<u>16,765</u>
Total expenses	<u>673,861</u>	<u>1,085,971</u>
6. Interest payable and similar charges	2020	2019
	£	£
Overdraft interest	<u>607</u>	<u>160</u>

Notes to the financial statements (continued)

for the year ended 15 February 2020

7. Taxation

	2020	2019
	£	£
a. Analysis of the tax charge for the year		
Overseas withholding tax	26,250	154,168
Total tax charge (5b)	<u>26,250</u>	<u>154,168</u>

b. Factors affecting the tax charge for the year

The tax assessed for the period is lower (2019 - lower) than the standard rate of a corporation tax for a Unit Trust in the UK of 20% (2019 - 20%) when applied to the net revenue before taxation. The differences are explained below:

	2020	2019
	£	£
Net revenue before taxation	<u>5,696,779</u>	<u>5,973,382</u>
Corporation tax @ 20 %	1,139,356	1,194,676
Effects of:		
Revenue exempt from UK corporation tax	(1,259,447)	(1,386,119)
Management expenses not relieved	120,091	191,443
Overseas withholding tax	26,250	154,168
Total tax charge (note 5a)	<u>26,250</u>	<u>154,168</u>

At the year end there is a potential deferred tax asset of £8,773,473 (2019 - £8,653,382) in relation to surplus management expenses and non-trade loan relationship deficits. It is unlikely that the Scheme will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the year or prior year.

8. Distributions

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

	2020	2019
	£	£
Interim income distribution paid	4,030,394	3,857,090
Interim accumulation distributions paid	15,740	11,678
Final income distribution payable	2,174,738	2,853,398
Final accumulation distributions payable	13,710	9,816
	<u>6,234,582</u>	<u>6,731,982</u>
Equalisation:		
Amounts deducted on cancellation of units	158,358	212,685
Amounts added on issue of units	(89,325)	(88,563)
Distributions	<u>6,303,615</u>	<u>6,856,104</u>

Notes to the financial statements (continued)

for the year ended 15 February 2020

8. Distributions (continued)

Reconciliation between net revenue and distributions:	2020	2019
	£	£
Net revenue after taxation per Statement of total return	5,670,529	5,819,214
Add:		
Undistributed revenue brought forward	35	61
Expenses paid from capital	641,219	1,052,998
Deduct:		
Capital tax relief	(8,153)	(16,134)
Undistributed revenue carried forward	(15)	(35)
Distributions	<u>6,303,615</u>	<u>6,856,104</u>

Details of the distribution per unit are disclosed in the distribution tables on pages 35 and 36.

9. Debtors

	2020	2019
	£	£
Amounts receivable on issue of units	99,157	147,649
Accrued revenue	222,652	400,880
Recoverable overseas withholding tax	281,075	224,130
Prepaid expenses	13	13
Income tax debtor	474	-
Total debtors	<u>603,371</u>	<u>772,672</u>

10. Cash and bank balances

	2020	2019
	£	£
Amounts held at futures clearing houses and brokers	7	-
Cash and bank balances	4,031,437	2,694,776
Total cash and bank balances	<u>4,031,444</u>	<u>2,694,776</u>
Bank overdraft*	<u>1,212,270</u>	<u>1,909,740</u>

As at 15 February 2020, the weighted average of the floating interest rate on bank balances was 0.10% (2019 - 0.10%).

*The bank overdrafts only incur overdraft interest on a net overdraft position as a compensated interest grouping agreement is in place.

11. Other creditors

	2020	2019
	£	£
Amounts payable on cancellation of units	285,475	208,243
Purchases awaiting settlement	249,315	-
Accrued expenses	43,343	40,958
Total other creditors	<u>578,133</u>	<u>249,201</u>

Notes to the financial statements (continued)

for the year ended 15 February 2020

12. Risk disclosures

The main risks from the Scheme's holding of financial instruments, together with the Manager's policy for managing these risks, are disclosed below:

a) Market price risk

The Scheme invests at least 80% in a wide range of shares issued by listed companies domiciled, incorporated or which conduct a significant part of their business in the UK, generally comprised within the Constraint Benchmark FTSE All Share Index. The main risk arising from the Scheme's financial instruments is market price. The value of securities is not fixed and may go down as well as up. This may be the result of specific factors affecting the value of individual securities held or may be due to general market factors (such as government policy or the health of the underlying economy). Adherence to investment guidelines and to investment and borrowing powers set out in the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) mitigates the risk of excessive exposure to any particular type of security or issuer.

By diversifying the portfolio, where this is appropriate and consistent with the Scheme's objectives, the market risk of a particular investment is reduced. Market risk is monitored by the Manager by understanding the risk and return characteristics of the underlying investments as well as a regular performance review. The overall portfolio is stress tested to capture market specific risks of the Scheme. The use of the derivatives is monitored using the commitment approach. The Scheme is authorised to use derivatives but the exposure to derivatives is not expected to alter the overall risk exposure of the Scheme.

A 5% increase in the value of the Scheme's portfolio would have the effect of increasing the return and net assets by £6,816,741 (2019 - £6,335,873).

b) Interest rate risk

Interest rate risk is the risk that the value of income receivable will fluctuate as a result of changes in interest rates. Cash balances and investments in fixed interest securities will be subject to such risk.

By a careful assessment of economic and other relevant factors, the Manager will seek to invest in those companies most likely to benefit, or be protected, from anticipated changes in interest rates. There are no material amounts of interest bearing financial assets and liabilities.

As at 15 February 2020, 2.94% of the Scheme's assets were interest bearing (2019 - 2.15%).

As the only interest bearing assets held by the Scheme are bank balances and no significant interest was received for the bank balances as disclosed in note 8, changes in interest rates would have no material impact on assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

c) Currency risk

The Scheme invests in companies which may derive portions of their revenues in foreign currencies. As a result, movements in exchange rates may affect the market price of the underlying investments. The value of the equity securities can therefore be affected by currency movements.

By diversifying the portfolio of the Scheme, where this is appropriate and consistent with the Scheme's objectives, the foreign currency risk of a particular investment is reduced. The Manager monitors the Currency exposure of the portfolio on an on-going basis to make sure the actual exposure is consistent with his understanding of future currency movements.

For numerical disclosure see note 17.

Notes to the financial statements (continued)

for the year ended 15 February 2020

12. Risk disclosures (continued)

c) **Currency risk (continued)**

Assuming all other factors remain stable, if GBP strengthens by 5%, the investment portfolio would decrease in value by £643,819 (2019 - £628,114). A 5% weakening in GBP would have an equal but opposite effect.

d) **Credit risk**

Credit risk is the risk that a counterparty to or an issuer of a financial instrument will fail to meet its obligations or commitment that it has entered into with the Scheme. The risk also applies when the Scheme invests in the units of Collective Investment Schemes that themselves are exposed to credit risk from underlying issuers or counterparties. The main contributor to credit risk is the risk of default from underlying issuers of fixed income securities.

The Manager will ensure that, where applicable, underlying fixed-income securities have an exposure to credit risk that is consistent with the overall objectives of the Scheme.

e) **Liquidity risk**

Liquidity risk may result in the inability of the Scheme to meet redemptions of units that investors may wish to sell. The Scheme is required to meet daily redemption and therefore may face liquidity risk in adverse event, such as during periods of elevated market stress levels.

The Scheme may invest in smaller capitalisation companies that tend to have relatively modest traded share capital, and the market in such shares can, at times, prove illiquid. The Manager seeks to limit liquidity risk of the Scheme by selecting a diversified range of equity securities.

f) **Counterparty risk**

In some instances, transactions in securities entered into by the Scheme give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction.

Counterparties selected by the Manager are subject to a strict selection process as well as an on-going monitoring to ensure that counterparty risk is minimised.

g) **Brexit risk**

In a referendum held on 23 June 2016, the electorate of the United Kingdom resolved to leave the European Union. The result has led to political and economic uncertainty, volatility in the financial markets of the United Kingdom and more broadly across Europe. Consumer, corporate and financial confidence in these markets may decrease as the Brexit negotiations progress. The implementation process of the political, economic and legal framework between the United Kingdom and the European Union is likely to lead to continuing uncertainty and periods of increased volatility in both the United Kingdom and in the wider European markets.

Currency volatility resulting from this uncertainty may mean that the returns of the Scheme and its investments are adversely affected by market movements, potential decline in the value of the British Pound and/or Euro, and any downgrading of United Kingdom sovereign credit rating. This may also make it more difficult, or more expensive for the Scheme to execute prudent currency hedging policies.

Notes to the financial statements (continued)

for the year ended 15 February 2020

12. Risk disclosures(continued)

g) Brexit risk (continued)

This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of relevant schemes and their investments to execute their respective strategies and to receive attractive returns, and may also result in increased costs to the relevant Scheme.

13. Related party transactions

The following are considered by Santander Asset Management UK Limited (the Manager) to be related parties:

The Manager

The fees received by the Manager are set out in note 3. The Manager is related to the company as defined by Financial Reporting Standard 102, Section 33 'Related Party Disclosures' and is named on page 2. Monies received through creations and cancellations are disclosed in the Statement of change in net assets attributable to unitholders.

Amounts outstanding at the period end date are disclosed in notes 9 & 11. £214,484 (2019 - £86,579) was due to the Manager at the period end date.

Material unitholders

As at 15 February 2020, 94.27% (2019 - 95.33%) of the units in issue were held by All Funds Nominees Ltd which is a separate nominee company but deemed as a related party due to being a material unitholder.

As at 15 February 2020, 70.94% (2019 - 86.35%) of the units in issue in the Institutional Income unit class were held by collective investment schemes managed by Santander Asset Management UK Limited (SAM UK).

14. Unitholders funds

The Scheme currently has three unit classes;Retail Income Units, Institutional Income Units and Institutional Accumulation Units. The following is a reconciliation of the opening units in issue to the closing units in issue for each unit class during the period;

	2020	2019
	No of Units	No of Units
Retail Income Units		
Opening units in issue	58,449,594	61,835,641
Units issued in the period	3,880,322	2,501,961
Units cancelled in the period	(5,181,882)	(5,888,008)
Closing units in issue	<u>57,148,034</u>	<u>58,449,594</u>
Institutional Income Units		
Opening units in issue	1,989,980	2,307,238
Units issued in the period	723,472	379,737
Units cancelled in the period	(403,807)	(696,995)
Closing units in issue	<u>2,309,645</u>	<u>1,989,980</u>

Notes to the financial statements (continued)

for the year ended 15 February 2020

14. Unitholders funds (continued)

Institutional Accumulation Units	No of Units	No of Units
Opening units in issue	253,413	203,790
Units issued in the period	211,485	103,620
Units cancelled in the period	(39,064)	(53,997)
Closing units in issue	<u>425,834</u>	<u>253,413</u>

15. Fair value disclosure

2020	
Investment Assets £	Investment Liabilities £
Quoted prices for identical instruments in active markets*	-
<u>136,334,812</u>	<u>-</u>
<u>136,334,812</u>	<u>-</u>
2019	
Investment Assets £	Investment Liabilities £
Quoted prices for identical instruments in active markets*	-
<u>126,717,464</u>	<u>-</u>
<u>126,717,464</u>	<u>-</u>

*Details of the securities included within the fair value hierarchy are detailed on page 22, accounting policy 1 (b) valuation of investments.

Notes to the financial statements (continued)

for the year ended 15 February 2020

16. Purchases, sales and transaction costs

Asset Class	Purchases before transaction costs	Broker Commission	Transfer Taxes	Purchases after transaction costs	Commission as % of Purchases	Tax as % of Purchases
2020	£	£	£	£	%	%
Equities	39,565,585	17,338	151,888	39,734,811	0.04	0.38
Corporate actions	2,545,488	-	-	2,545,488	-	-
Total purchases	42,111,073	17,338	151,888	42,280,299		
2019	£	£	£	£	%	%
Equities	56,806,811	23,125	201,969	57,031,905	0.04	0.36
Total purchases	56,806,811	23,125	201,969	57,031,905		

Asset Class	Sales before transaction costs	Broker Commission	Transfer Taxes	Sales after transaction costs	Commission as % of Sales	Tax as % of Sales
2020	£	£	£	£	%	%
Equities	47,375,822	(21,782)	(393)	47,353,647	0.05	0.00
Total sales	47,375,822	(21,782)	(393)	47,353,647		
2019	£	£	£	£	%	%
Equities	66,019,167	(26,727)	(149)	65,992,291	0.04	0.00
Total sales	66,019,167	(26,727)	(149)	65,992,291		

	Broker Commission	Transfer Taxes
2020	£	£
Total costs from purchases & sales	39,120	152,281
Total costs as % of Average NAV	0.03%	0.12%
2019	£	£
Total costs from purchases & sales	49,852	202,118
Total costs as % of Average NAV	0.04%	0.15%

Notes to the financial statements (continued)

for the year ended 15 February 2020

16. Purchases, sales and transaction costs (continued)

There were direct transaction costs associated with derivatives in the year of £3,101 (2019 - £nil) which is 0.00% of the Average NAV of the Scheme (2019 - nil%).

In the case of equity securities broker commissions and transfer taxes are paid by the Scheme on each purchase or sale transaction and are a necessary part of buying and selling the Scheme's underlying investments in order to achieve the investment objective. The estimated average dealing spread including the effects of foreign exchange for this Scheme is 1.05% (2019 - 0.07%) of the transaction value. The dealing spread calculated at the year end is not the typical dealing spread for the Scheme and is due to the timing of the prices being extracted from Bloomberg. The typical average dealing spread for the year is 0.53%.

Notes to the financial statements (continued)

for the year ended 15 February 2020

17. Currency risk

The analysis and tables provided below refer to the narrative disclosure on Risk disclosures in note 12.

Currency	Net foreign currency assets		
	Monetary	Non-monetary	Total
	exposures £	exposures £	
2020			
UK Sterling	638,540	123,489,564	124,128,104
Euro	64,453	1,605,826	1,670,279
Norwegian Krone	(46,550)	3,799,999	3,753,449
Swedish Krona	6,335	4,217,966	4,224,301
Swiss Franc	6,896	3,221,457	3,228,353
2019			
UK Sterling	(1,776,705)	114,341,399	112,564,694
Euro	88,617	3,878,827	3,967,444
Norwegian Krone	143,197	5,157,522	5,300,719
Swedish Krona	-	657,099	657,099
Swiss Franc	-	2,682,617	2,682,617

18. Post balance sheet events

With effect from 16 February 2020, the Institutional Income unit class merged with the Retail Income unit class. At the same time, the Retail Income unit class changed its name to R Income Units and the Institutional Accumulation unit class changed its name to R Accumulation Units.

Effective on 27 March 2020, the delegation of investment management to BlackRock Advisors (UK) Limited as Sub-Investment Manager was terminated and investment management of the entire Scheme returned to the Manager.

Subsequent to the year end, the net asset value per unit of the R Income unit class has decreased from 227.4p to 190.6p and the R Accumulation unit class has decreased from 202.3p to 169.6p as at 2 June 2020. This movement takes into account routine transactions but also reflects the market movements including the impact on the financial markets from the increasing fears over the spread of coronavirus.

The Manager continues to monitor investment performance in line with investment objectives.

Distribution tables

for the year ended 15 February 2020

Distributions on Retail Income Units in pence per unit

	Payment Date	Payment type	Net income	Equalisation	Distribution paid/payable 2019/2020	Distribution paid 2018/2019
Group 1						
	15.10.19	interim	6.8298	-	6.8298	6.1079
	15.04.20	final	3.6299	-	3.6299	4.6930
Group 2						
	15.10.19	interim	4.0207	2.8091	6.8298	6.1079
	15.04.20	final	1.9044	1.7255	3.6299	4.6930

Distributions on Institutional Income Units in pence per unit

	Payment Date	Payment type	Net income	Equalisation	Distribution paid/payable 2019/2020	Distribution paid 2018/2019
Group 1						
	15.10.19	interim	8.0710	-	8.0710	7.2011
	15.04.20	final	4.3436	-	4.3436	5.5457
Group 2						
	15.10.19	interim	2.1955	5.8755	8.0710	7.2011
	15.04.20	final	0.9176	3.4260	4.3436	5.5457

Distributions on Institutional Accumulation Units in pence per unit

	Payment Date	Payment type	Net income	Equalisation	Distribution paid/payable 2019/2020	Distribution paid 2018/2019
Group 1						
	15.10.19	interim	5.7790	-	5.7790	4.9021
	15.04.20	final	3.2195	-	3.2195	3.8735
Group 2						
	15.10.19	interim	2.2021	3.5769	5.7790	4.9021
	15.04.20	final	1.2043	2.0152	3.2195	3.8735

Distribution tables (continued)

for the year ended 15 February 2020

Equalisation

Equalisation applies only to Group 2 units. It is the average amount of revenue included in the purchase price of Group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes.

Accumulation distributions

Holders of accumulation units should add the distributions received thereon to the cost of the units for capital gains tax purposes.

Further information

Report and Accounts

Copies of annual and half-yearly long reports may be requested from the Manager or inspected at 67 Lombard Street, London EC3V 9LJ, United Kingdom.

The annual accounting period for the Scheme ends each year on 15 February and the interim reporting period ends on 15 August.

The annual reports of the Scheme will be published on or before 15 June and interim reports on or before 15 October.

Unit Classes

Both accumulation units (where the investment income is retained) and income units (where distributions are made to unitholders) are available.

Income attributable to accumulation units is automatically added to the capital assets of the Scheme at the end of each interim and annual accounting period and is reflected in the relevant unit price. Income attributable to income units will be paid on the distribution dates.

Units go ex-distribution at the close of business on 15 February and 15 August and details of the distribution are issued to all unitholders on 15 April and 15 October each year.

Each unit class may attract different charges and expenses and so monies may be deducted from the scheme property attributable to such classes in unequal proportions. In these circumstances, the proportionate interests of the classes within a Scheme will be adjusted accordingly.

Further classes may be established from time to time by the Manager with the agreement of the Trustee, and where relevant the approval of the FCA, and in accordance with the Trust Deed. On the introduction of any new class, a revised prospectus will be prepared setting out the details of such new class.

Minimum Investment

The minimum initial investment for all unit classes is £500.

The minimum subsequent investment for all unit classes is £250.

The minimum withdrawal for all unit classes is £250.

The minimum holding for all unit classes is £500.

Charges

An annual charge is deducted from the Scheme, to cover our management and other administration costs as follows:

Retail Income Units	0.50%
Institutional Income Units*	0.50%
Institutional Accumulation Units	0.50%

Further information (continued)

Charges (continued)

*With effect from 16 February 2020, the Institutional Income unit class merged with the Retail Income unit class.

Voting Rights

At any meeting of unitholders in the Scheme, an extraordinary resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of a show of hands) demanded by the chairman, the Trustee or at least two unitholders.

On a show of hands every unitholder who (being an individual) is present in person, or (being a corporation) is present by its representative properly authorised in that regard, will have one vote.

On a poll:

- (a) votes may be given personally or by proxy or in another manner permitted by the relevant Trust Deed;
- (b) the voting rights for each unit must be the proportion of the voting rights attached to all of the units in issue that the price of the unit bears to the aggregate price or prices of all of the units in issue:
 - (i) if any unit is a participating security, at the time determined in accordance with the FCA Regulations;
 - (ii) otherwise at the date specified in the FCA Regulations; and
- (c) a unitholder need not use all his votes or cast all his votes in the same way.

In the case of joint unitholders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint unitholders and for this purpose seniority will be determined by the order in which the names stand in the Register of the Scheme.

Neither the Manager nor any associate of the Manager will be entitled to vote at any such meeting except in respect of units which it holds on behalf of, or jointly with, a person who, if himself a registered unitholder, would be entitled to vote, and from whom it has received voting instructions.

Winding Up of the Scheme

The Trustee will proceed to wind up the Scheme on the occurrence of any of the following events:

- (a) the order declaring the Scheme to be an authorised unit trust scheme is revoked;
- (b) the FCA has agreed to a request by either the Manager or the Trustee for the revocation of the order declaring the Scheme to be an authorised unit trust scheme, on conclusion of the winding-up of the Scheme;
- (c) the expiration of any period specified in the Trust Deed as the period at the end of which the Scheme concerned is to terminate; or
- (d) the effective date of a duly approved scheme of arrangement which is to result in the Scheme that is subject to the scheme of arrangement being left with no property.

Further information (continued)

Winding Up of the Scheme (continued)

In the event that the Scheme is to be wound up, the procedure for winding up will be as follows:

- In a case falling within (d) above, the Trustee will wind up the Scheme in accordance with the approved scheme of arrangement;
- In any other case, the Trustee must, as soon as practicable after the Scheme falls to be wound up, realise the property of the Scheme and, after paying out, or retaining, adequate provisions for all liabilities properly so payable of such property and retaining provision for the costs of the winding-up, distribute the proceeds to the unitholders and the Manager (upon production by them of evidence as to their entitlement) proportionately to their respective interests in the Scheme as at the date of the relevant event specified in (a) (b) or (c) above;
- Any unclaimed net proceeds or other cash held by the Trustee in respect of the Scheme after the expiry of twelve months from the date on which the same became payable will be paid by the Trustee into court, or as the court may direct, subject to the Trustee having a right to retain any expenses incurred by it in making and relating to that payment into court;
- Where the Trustee and one or more unitholders in the Scheme agree, the requirement above to realise the Scheme property does not apply to that part of the Scheme property proportionate to the entitlement of that or those unitholders. The Trustee may distribute that part in the form of property, after making adjustments or retaining provisions as appears to the Trustee appropriate for ensuring that or those unitholders bear a proportional share of the relevant liabilities and costs;
- On completion of the winding-up, in respect of the events referred to in (b) or (c) above, the Trustee will notify the FCA in writing of that fact and at the same time the Manager or Trustee will request the FCA to revoke the order of authorisation under section 256(1) of the Act.

Once the Scheme falls to be wound up, any unclaimed net proceeds or other cash (including unclaimed distributions) held by the Trustee after the expiration of twelve months from the date on which the same became payable is to be paid by the Trustee into court or as the court may direct, subject to the Trustee having a right to retain from those net proceeds or other cash any expenses incurred in so making the payment.

Dealing

The Manager is available to deal with requests to sell, redeem or switch units between 9am and 5pm on each Business Day.

Applications to buy, sell or switch units may be made by post or electronic means where available. The units are bought, sold or switched at a forward price, being the price determined at the next valuation of the property of the Scheme after the receipt by the Manager of the investor's instructions. Requests received prior to the 12noon Valuation Point are dealt that day. If requests are received after the Valuation Point, they are marked at the price at the next Valuation Point. Valid instructions to purchase or sell units are processed at the next applicable Valuation Point following receipt of the request except in the case where dealing in a Scheme has been deferred or suspended.

Please refer to the Prospectus for further information.

Further information (continued)

Pricing and dilution adjustment

Units are priced on a single mid-market pricing basis in accordance with the FCA Regulations.

The price of a unit is the Net Asset Value attributable to the relevant class divided by the number of units of that class in issue.

The Net Asset Value attributable to each class of the Scheme will normally be calculated at 12noon UK time on each Business Day.

The Manager reserves the right to revalue a class or Scheme at any time at its discretion.

For the purpose of calculating the price at which units in a Scheme are to be issued or sold, the values of investments are calculated by using mid-market prices. The actual cost of buying or selling a Scheme's investments may be higher or lower than the mid-market values used in calculating the unit price, for example due to dealing charges or through dealing at prices other than the mid-market price. Under certain circumstances this will have an adverse effect on the continuing unitholders in a Scheme. This effect is called "dilution".

For the purpose of reducing dilution in a Scheme, the Manager may make a dilution adjustment to the price of a unit so that it is above or below that which would have resulted from a mid-market valuation of the Scheme's investments. This will give a more accurate value of the actual price paid or received.

A dilution adjustment may be applied where a Scheme is experiencing large levels or trends of issues and sales relative to its size, or in any other circumstances where the Manager is of the opinion that the interests of unitholders require the imposition of a dilution adjustment.

The dilution adjustment is calculated by reference to the costs of dealing in the underlying investments of the Scheme, including any dealing spreads, commissions and transfer taxes.

As dilution is directly related to the issues and sales of units in a Scheme, it is not possible to predict accurately whether dilution will occur at a future point in time or how frequently however, based on historical data, the Manager expects to make a dilution adjustment on most occasions when units are issued or redeemed. A typical adjustment, based on historical data, is expected to be between 0% and 2% for the issue and redemption of units.

Please refer to the Prospectus for further information.

Taxation

From 6 April 2016 the Dividend Tax Credit was replaced by a new tax-free Dividend Allowance. The Dividend Allowance means that you won't have to pay tax on the first £5,000 of your dividend income, no matter what non-dividend income you have.

Please refer to the Prospectus for further information.

Further information (continued)

Corporation tax

A unit trust distribution received by a unitholder liable to corporation tax is received as franked revenue to the extent that the revenue of the Scheme consists of franked revenue. The balance of the distribution is received as an annual payment from which tax has been deducted at the basic rate.

Capital gains tax

Authorised unit trusts are not subject to capital gains tax. A unitholder is liable to capital gains tax on gains arising on the disposal of units unless his chargeable gains from all sources in the tax year are less than the annual capital gains tax exemption.

Risk Warnings

Please note that past performance is not necessarily a guide to the future. The price of units and any income from them can fall as well as rise and you may not get back the amount you originally invested. Significant changes in interest rates could also affect the value of your investment and any foreign investments will be affected by fluctuations in rates of currency exchange. Investment in a Scheme should generally be viewed as a long-term investment. **Please refer to the Key Investor Information Document for a fuller explanation of the risk warnings.** The most recent Key Investor Information Document may be obtained by visiting www.santanderassetmanagement.co.uk. Santander Asset Management UK Limited only provides information about its own products and will not give individual independent advice. Should you wish to seek advice, then please contact an Independent Financial Adviser.

Appointments

Manager and Registrar

Santander Asset Management UK Limited
287 St. Vincent Street
Glasgow G2 5NB, United Kingdom
Authorised and regulated by the Financial Conduct Authority

Directors

Mehdi Kadhim
Robert Noach
Jack Treunen
Huw Price
Dr Jocelyn Dehnert
Lazaro y Torres de Lazaro (appointed 11 June 2019)

Sub-Investment Manager

BlackRock Advisors (UK) Limited (Sub-Investment Manager on a caretaker basis 14 February 2020 to 27 March 2020)
12 Throgmorton Avenue
London EC2N 2DL, United Kingdom
Authorised and regulated by the Financial Conduct Authority

Trustee

NatWest Trustee and Depositary Services Limited
Floor 2 South
Drummond House
1 Redheughs Avenue
Edinburgh EH12 9RH, United Kingdom
Authorised and regulated by the Financial Conduct Authority

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow G2 7EQ, United Kingdom

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