

Schroder High Yield Opportunities Fund

July 2020

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1 Collectively these comprise the Manager's report.

Fund Information

Investment objective and policy

The Schroder High Yield Opportunities Fund (the 'Fund') aims to provide income and capital growth of between 4.5% and 6.5% per annum (after fees have been deducted) over a three to five year period by investing in fixed and floating rate securities worldwide. This cannot be guaranteed and your capital is at risk.

The Fund is actively managed and invests at least 80% of its assets in fixed and floating rate securities (denominated in or hedged back into Sterling) issued by governments, government agencies, supra-nationals and companies worldwide.

The Fund invests at least 50% of its assets in Pan-European fixed and floating rate securities.

The Fund invests at least 80% of its assets in below investment grade securities (as measured by Standard & Poor's or any other equivalent credit rating agencies) or in unrated securities.

The Fund may also invest directly or indirectly in other securities (including in other asset classes), countries, regions, industries or currencies, collective investment schemes (including Schroder funds), warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently (for more information please refer to section 6 of Appendix I of the Prospectus). The Fund may use leverage and take short positions.

With effect from 7 August 2019 the fund's Investment objective and policy changed, previously it was:

The Fund aims to provide income by investing in fixed and floating rate securities worldwide. The Fund also aims to provide capital growth.

The Fund invests at least 80% of its assets in fixed and floating rate securities (denominated in or hedged back into Sterling) issued by governments, government agencies, supra-nationals and companies worldwide. As the Fund is index-unconstrained it is managed without reference to an index.

The Fund invests at least 50% of its assets in Pan-European fixed and floating rate securities.

The Fund invests at least 80% of its assets in below investment grade securities (as measured by Standard & Poor's or any other equivalent credit rating agencies) or in unrated securities.

The Fund may also invest in collective investment schemes, warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. The Fund may use leverage and take short positions.

Fund characteristics

The Fund's performance should be assessed against the income and capital growth target of between 4.5% and 6.5% per year, and compared against the Investment Association High Yield Investment sector average return. The target benchmark has been selected because the target return of the Fund is to deliver or exceed the return of that benchmark as stated in the investment objective. The comparator benchmark has been selected because the Investment Manager and the Manager believe that this benchmark is a suitable comparison for performance purposes given the Fund's investment objective and policy.

Review of Investment Activities

From 26 July 2019 to 27 July 2020, the price of Z Accumulation units on a dealing price to dealing price fell 1.84%. In comparison, the Investment Association Sterling High Yield Sector Average generated a total negative return of 0.36% in sterling terms¹.

The second half of 2019 was mostly stable and productive for markets with further monetary policy support, a phase one trade agreement between China and the US and a decisive UK general election. In the first half of 2020, the Covid-19 pandemic caused large swathes of the global economy to effectively be shut down. Riskier assets suffered some of the largest declines in recent memory. A huge fiscal and monetary policy response spurred a strong rebound from April onwards with riskier assets reversing or reducing losses for the period.

The portfolio generated a negative total return, and lagged the peer group. The fund was negatively impacted amid the Covid-19 crisis, with certain individual positions particularly affected. Performance has recovered well since April across a number of positions. We remained focused on security selection, looking to pick up attractively valued new issues with a preference for non-cyclical businesses, but also selectively more resilient quality cyclical. We shifted higher in quality, increasing exposure to BBB and BB, which combined now accounts for over half of the portfolio and exceeds exposure to B and CCC credit. We recently implemented a protection position on US high yield using an index swap, given how strong the market has been.

Markets have seen a "V-shaped" recovery, while data reflects a sharp contrast between deeply negative backward looking measures with some marked rebounds in more forward looking indicators. We can draw some cautious optimism for the recovery, and the willingness of policy makers to support it, but remember that there is still considerable scope for further negative shocks. Corporate bonds continue to offer value especially in terms of the income and yield on offer relative to other asset classes. The full impact of Covid-19 on businesses will not be apparent for some time, but there are plenty of companies which can emerge in decent shape and some will benefit.

Fund Manager:

Daniel Pearson



Daniel Pearson joined Schroders in 2013 following the acquisition of Cazenove Capital

He focused on Investment grade and High Yield Auto, Business services and Property sectors. Prior to this he worked as a high yield credit analyst

He previously worked at 3i Group plc where he initially worked as a portfolio manager in restructuring/SME team before moving to the European buyout team and focused on all aspects of new investments – origination, appraisal, structuring and debt arrangement. From 1990 to 2002 he worked at Hambros plc

BSc in Business Administration from Bath University and an ACCA qualification

¹ Source: Thomson Reuters Datastream.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

Risk Profile

Risk and reward indicator



The risk category was calculated using historical performance data and may not be a reliable indicator of the Fund's future risk profile. The Fund's risk category is not guaranteed to remain fixed and may change over time. A fund in the lowest category does not mean a risk-free investment.

For specific risks, including the risk and reward profile, please refer to the Key Investor Information Document available on the following website www.schroders.com.

Statement of the Manager's Responsibilities

The Financial Conduct Authority's Collective Investment Schemes sourcebook requires the Manager to prepare accounts for each annual and half yearly accounting period, in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the financial position of the Fund and of its net revenue and the net capital losses on the property of the Fund for the year. In preparing the accounts the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association (now the Investment Association) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to do so;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements;
- make judgements and estimates that are prudent and reasonable.

The Manager is responsible for the management of the Fund in accordance with its Trust Deed, the Prospectus and the Collective Investment Schemes sourcebook, and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The Manager's report and accounts for the year ended 27 July 2020 were signed on 12 November 2020 on behalf of the Manager by:

S. Reedy
Directors

P. Truscott

Report of the Trustee

Statement of the Trustee's responsibilities in respect of the Scheme and report of the Trustee to the unitholders of the Schroder High Yield Opportunities Fund ('the fund') for the year ended 27 July 2020.

The Trustee of the Schroder High Yield Opportunities Fund must ensure that the fund 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 fund and its investors.

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

The Trustee must ensure that:

- the fund's cash flows are properly monitored and that cash of the fund 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 fund are calculated in accordance with the regulations;
- any consideration relating to transactions in the fund's assets is remitted to the fund within the usual time limits;
- the fund's income is applied in accordance with the regulations; and
- the instructions of the Authorised Fund Manager ('the Manager'), which is the UCITS Management Company, are carried out (unless they conflict with the regulations).

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

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

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

J.P. Morgan Europe Limited

Trustee

Bournemouth

17 August 2020

Independent Auditors' Report to the Unitholders of Schroder High Yield Opportunities Fund

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Schroder High Yield Opportunities Fund (the "Fund"):

- give a true and fair view of the financial position of the Fund as at 27 July 2020 and of the net revenue and the net capital losses 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 Final Report and Accounts (the "Annual Report"), which comprise: the balance sheet as at 27 July 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; 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 Fund 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 Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund'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 Fund's ability to continue as a going concern.

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 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.

Manager's Report

In our opinion, the information given in the 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 Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 6, the 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 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 Manager is responsible for assessing the Fund'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 Manager either intend to wind up or terminate the Fund, or have no realistic alternative but to do so.

Independent Auditors' Report to the Unitholders of Schroder High Yield Opportunities Fund (continued)

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.

Use of this report

This report, including the opinions, has been prepared for and only for the Fund'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
Edinburgh
12 November 2020

Comparative Table

Financial year to 27 July	A Income units			A Accumulation units		
	2020 p per unit	2019 p per unit	2018 p per unit	2020 p per unit	2019 p per unit	2018 p per unit
Change in net asset value						
Opening net asset value	45.07	47.31	48.99	137.70	135.63	132.18
Return before operating charges*	(0.70)	1.28	1.94	(2.01)	3.91	5.30
Operating charges	(0.59)	(0.62)	(0.67)	(1.85)	(1.84)	(1.85)
Return after operating charges*	(1.29)	0.66	1.27	(3.86)	2.07	3.45
Distributions ¹	(2.68)	(2.90)	(2.95)	(8.43)	(8.56)	(8.19)
Retained distributions ¹	–	–	–	8.43	8.56	8.19
Closing net asset value	41.10	45.07	47.31	133.84	137.70	135.63
*after direct transaction costs of	0.00	0.00	0.00	0.00	0.00	0.00
Performance						
Return after charges (%)	(2.86)	1.40	2.59	(2.80)	1.53	2.61
Other information						
Closing net asset value (£000's)	41,774	53,260	52,434	27,475	37,689	55,921
Closing number of units	101,643,239	118,178,174	110,835,896	20,528,985	27,371,351	41,229,989
Operating charges (%)	1.37	1.37	1.37	1.37	1.37	1.37
Prices						
Highest dealing price (p)	46.54	47.77	49.97	146.53	138.60	138.80
Lowest dealing price (p)	34.96	43.48	47.16	110.58	128.00	132.50

Comparative Table (continued)

Financial year to 27 July	X Accumulation units			Z Income units		
	2020 p per unit	2019 p per unit	2018 p per unit	2020 p per unit	2019 p per unit	2018 p per unit
Change in net asset value						
Opening net asset value	55.97	54.40	52.29	51.58	53.79	55.35
Return before operating charges*	(0.81)	1.58	2.12	(0.80)	1.47	2.18
Operating charges	(0.01)	(0.01)	(0.01)	(0.35)	(0.37)	(0.39)
Return after operating charges*	(0.82)	1.57	2.11	(1.15)	1.10	1.79
Distributions ¹	(3.51)	(8.19)	Nil [†]	(3.08)	(3.31)	(3.35)
Retained distributions ¹	3.51	8.19	Nil [†]	–	–	–
Closing net asset value	55.15	55.97	54.40	47.35	51.58	53.79
*after direct transaction costs of	0.00	0.00	0.00	0.00	0.00	0.00
Performance						
Return after charges (%)	(1.47)	2.89	4.04	(2.23)	2.04	3.23
Other information						
Closing net asset value (£000's)	1,571	1	1	157,169	193,294	191,277
Closing number of units	2,848,457	1,988	1,988	331,948,649	374,744,484	355,571,768
Operating charges (%)	0.02	0.02	0.02	0.72	0.72	0.72
Prices						
Highest dealing price (p)	60.03	56.30	55.29	53.47	54.15	56.64
Lowest dealing price (p)	45.36	51.65	52.02	40.19	49.58	53.15

X Accumulation units

† There was no distribution as the total amount distributable was below de minimis.

Comparative Table (continued)

Financial year to 27 July	Z Accumulation units		
	2020 p per unit	2019 p per unit	2018 p per unit
Change in net asset value			
Opening net asset value	84.81	83.00	80.36
Return before operating charges*	(1.24)	2.40	3.23
Operating charges	(0.60)	(0.59)	(0.59)
Return after operating charges*	(1.84)	1.81	2.64
Distributions ¹	(5.21)	(5.26)	(4.99)
Retained distributions ¹	5.21	5.26	4.99
Closing net asset value	82.97	84.81	83.00
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(2.17)	2.18	3.29
Other information			
Closing net asset value (£000's)	197,885	313,561	406,185
Closing number of units	238,498,210	369,726,925	489,402,952
Operating charges (%)	0.72	0.72	0.72
Prices			
Highest dealing price (p)	90.59	85.34	84.65
Lowest dealing price (p)	68.40	78.55	79.91

¹ These figures have been rounded to 2 decimal places.

The Operating charges are represented by the Ongoing Charges Figure (OCF) which is the European standard method of disclosing the charges of a unit class of a Fund based on the financial year's expenses and may vary from year to year. It includes charges such as the Fund's Annual management charge, Registrar fees, Safe custody fees, Trustee's fees and Audit fee but ordinarily excludes the costs of buying or selling assets for the Fund (unless these assets are shares of another Fund). Where published, the Key Investor Information Document (KIID) contains the current OCF. For a more detailed breakdown please visit www.schroders.com.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Statement

	Holding at 27.7.20	Market Value £000's	% of net assets
Government Bond 0.00% (1.12%)			
Argentina 0.00% (1.12%)			
Corporate Bonds 96.30% (92.99%)			
Argentina 0.30% (0.53%)			
YPF 8.5% 28/07/2025	2,000,000	1,294	0.30
		1,294	0.30
Australia 0.83% (0.00%)			
Newcrest Finance 3.25% 13/05/2030	2,500,000	2,125	0.50
Newcrest Finance 4.2% 13/05/2050	1,500,000	1,415	0.33
		3,540	0.83
Austria 1.89% (0.00%)			
ams 6% 31/07/2025	1,073,000	998	0.23
ams 6% 31/07/2025 (Senior Unsecured)	4,928,000	4,586	1.08
ams 7% 31/07/2025	2,269,000	1,820	0.43
UNIQA Insurance Group FRN 3.25% 09/10/2035	700,000	648	0.15
		8,052	1.89
Belgium 0.00% (0.05%)			
Bermuda 1.91% (0.56%)			
Digicel 6.75% 01/03/2023	1,500,000	799	0.19
Digicel 6.75% 01/03/2023 (Private Placement)	8,300,000	4,423	1.04
NCL 10.25% 01/02/2026	1,250,000	972	0.23
Hiscox FRN 6.125% 24/11/2045	1,800,000	1,948	0.45
		8,142	1.91
Brazil 0.37% (0.00%)			
Prumo Participacoes e Investimentos 7.5% 31/12/2031	1,965,624	1,556	0.37
		1,556	0.37

	Holding at 27.7.20	Market Value £000's	% of net assets
Canada 0.00% (0.35%)			
Cayman Islands 1.62% (3.16%)			
Park Aerospace Holdings 5.5% 15/02/2024	481,000	355	0.08
Global Aircraft Leasing 6.5% 15/09/2024	11,054,000	5,797	1.36
Avolon Holdings Funding 4.375% 01/05/2026	806,000	551	0.13
Avolon Holdings Funding 3.25% 15/02/2027	314,000	208	0.05
		6,911	1.62
Czech Republic 0.00% (0.38%)			
Denmark 0.57% (0.29%)			
DKT Finance 9.375% 17/06/2023	3,120,000	2,442	0.57
		2,442	0.57
France 7.59% (7.42%)			
Parts Europe FRN 5.5% 01/05/2022	1,271,966	1,145	0.27
Newco GB 8% 15/12/2022	2,117,966	1,729	0.41
Casino Guichard Perrachon 4.561% 25/01/2023	6,900,000	5,924	1.39
Casino Guichard Perrachon 4.498% 07/03/2024	1,200,000	940	0.22
La Financiere Atalian 4% 15/05/2024	3,751,000	2,716	0.64
La Financiere Atalian 5.125% 15/05/2025	3,661,000	2,648	0.62
La Financiere Atalian 6.625% 15/05/2025	6,309,000	4,998	1.17
Parts Europe 6.5% 16/07/2025	1,819,000	1,678	0.39
Altice France 7.375% 01/05/2026	2,403,000	2,000	0.47

Portfolio Statement (continued)

	Holding at 27.7.20	Market Value £000's	% of net assets
Altice France 7.375% 01/05/2026 (Private Placement)	6,705,000	5,583	1.31
RCI Banque FRN 2.625% 18/02/2030	1,200,000	1,017	0.24
Casino Guichard Perrachon FRN 3.992% Perpetual	1,000,000	446	0.10
Electricite de France FRN 6% Perpetual	1,400,000	1,519	0.36
		32,343	7.59

Germany 5.04% (1.69%)

Safari Verwaltungs 5.375% 30/11/2022	6,181,000	4,843	1.14
Nidda Healthcare Holding 3.5% 30/09/2024	3,740,000	3,372	0.79
Tele Columbus 3.875% 02/05/2025	7,950,000	6,881	1.61
Commerzbank FRN 4% 05/12/2030	1,300,000	1,203	0.28
Commerzbank FRN 6.125% Perpetual	2,600,000	2,292	0.54
Infineon Technologies FRN 2.875% Perpetual	1,100,000	1,010	0.24
Infineon Technologies FRN 3.625% Perpetual	2,000,000	1,882	0.44
		21,483	5.04

Hungary 0.19% (0.14%)

OTP Bank FRN 2.734% Perpetual	1,000,000	795	0.19
		795	0.19

Ireland 2.71% (4.02%)

Permanent TSB Group Holdings FRN 2.125% 26/09/2024	2,000,000	1,755	0.41
Bank of Ireland Group FRN 3.125% 19/09/2027	1,030,000	1,025	0.24
Bank of Ireland Group FRN 4.125% 19/09/2027	1,772,000	1,363	0.32
AIB Group FRN 5.25% Perpetual	1,000,000	875	0.21

	Holding at 27.7.20	Market Value £000's	% of net assets
AIB Group FRN 6.25% Perpetual	1,074,000	996	0.23
Aryzta Euro Finance FRN 4.5% Perpetual	7,225,000	5,529	1.30
		11,543	2.71

Isle of Man 0.00% (0.17%)

Italy 8.49% (9.55%)

Autostrade per l'Italia 6.25% 09/06/2022	1,742,000	1,850	0.44
Almaviva-The Italian Innovation 7.25% 15/10/2022	11,588,000	9,555	2.24
Sisal Group 7% 31/07/2023	1,398,375	1,291	0.30
Bormioli Pharma Bidco FRN 3.5% 15/11/2024	1,805,000	1,529	0.36
Intesa Sanpaolo 5.71% 15/01/2026	1,628,000	1,371	0.32
Superstrada Pedemontana Veneta 8% 30/06/2027	5,192,000	3,784	0.89
Atlantia 1.875% 13/07/2027	1,000,000	884	0.21
Banca IFIS FRN 4.5% 17/10/2027	9,512,000	7,579	1.78
Banca Monte dei Paschi di Siena FRN 5.375% 18/01/2028	6,965,000	5,668	1.33
UniCredit FRN 5.459% 30/06/2035	1,910,000	1,536	0.36
Assicurazioni Generali FRN 6.269% Perpetual	1,000,000	1,117	0.26
		36,164	8.49

Jersey 5.78% (4.98%)

Petropavlovsk 2016 8.125% 14/11/2022	4,000,000	3,256	0.76
LHC3 4.125% 15/08/2024	6,195,439	5,645	1.33
Galaxy Finco 9.25% 31/07/2027	4,000,000	3,990	0.94
AA Bond 6.269% 02/07/2043	1,900,000	1,926	0.45

Portfolio Statement (continued)

	Holding at 27.7.20	Market Value £000's	% of net assets
AA Bond 4.875% 31/07/2043	5,253,000	5,174	1.21
AA Bond 5.5% 31/07/2043	5,200,000	4,627	1.09
		24,618	5.78

Liberia 0.51% (0.00%)

Royal Caribbean Cruises 10.875% 01/06/2023	2,000,000	1,652	0.39
Royal Caribbean Cruises 9.125% 15/06/2023	637,000	507	0.12
		2,159	0.51

Luxembourg 9.53% (10.81%)

Garfunkelux Holdco 3 8.5% 01/11/2022	4,400,000	4,150	0.98
Odyssey Europe Holdco 8% 15/05/2023	5,955,000	4,303	1.01
Kleopatra Holdings 1 9.25% 30/06/2023	8,147,996	5,493	1.29
eDreams ODIGEO 5.5% 01/09/2023	3,000,000	2,275	0.54
Garfunkelux Holdco 2 11% 01/11/2023	5,400,000	4,644	1.09
Amigo Luxembourg 7.625% 15/01/2024	6,750,000	3,334	0.78
Lincoln Financing 3.625% 01/04/2024	2,783,000	2,485	0.58
Lincoln Financing FRN 3.875% 01/04/2024	211,000	188	0.04
Vivion Investments 3% 08/08/2024	2,100,000	1,717	0.40
Intralot Capital Luxembourg 5.25% 15/09/2024	3,058,000	681	0.16
Hidrovias International Finance 5.95% 24/01/2025	5,190,000	4,079	0.96
Motion Finco 7% 15/05/2025	1,000,000	940	0.22
Vivion Investments 3.5% 01/11/2025	1,000,000	815	0.19
Matterhorn Telecom 4% 15/11/2027	6,001,000	5,494	1.29
		40,598	9.53

	Holding at 27.7.20	Market Value £000's	% of net assets
Marshall Islands 0.26% (0.00%)			
Global Ship Lease 9.875% 15/11/2022	1,500,000	1,088	0.26
		1,088	0.26

Mexico 3.14% (2.48%)

Petroleos Mexicanos 1.875% 21/04/2022	1,500,000	1,289	0.30
Petroleos Mexicanos 3.75% 21/02/2024	1,100,000	933	0.22
TV Azteca 8.25% 09/08/2024	2,460,000	817	0.19
Cemex 2.75% 05/12/2024	456,000	387	0.09
Petroleos Mexicanos 3.75% 16/11/2025	5,250,000	4,498	1.06
Cemex 7.375% 05/06/2027	5,225,000	4,263	1.00
Petroleos Mexicanos 5.35% 12/02/2028	1,733,000	1,175	0.28
		13,362	3.14

Netherlands 6.62% (8.26%)

IPD 3 4.5% 15/07/2022	1,500,000	1,230	0.29
Promontoria Holding 264 6.75% 15/08/2023	3,046,000	2,216	0.52
Schoeller Packaging 6.375% 01/11/2024	1,559,000	1,356	0.32
Teva Pharmaceutical Finance Netherlands II 4.5% 01/03/2025	4,626,000	4,247	1.00
Kongsberg Actuation Systems 5% 15/07/2025	5,915,000	4,195	0.98
Teva Pharmaceutical Finance Netherlands III 3.15% 01/10/2026	3,000,000	2,113	0.50
Petrobras Global Finance 6.25% 14/12/2026	256,000	273	0.06
Petrobras Global Finance 5.375% 01/10/2029	3,500,000	3,528	0.83
Koninklijke KPN FRN 7% 28/03/2073	1,000,000	844	0.20
Telefonica Europe FRN 2.625% Perpetual	4,200,000	3,796	0.89
Telefonica Europe FRN 3.75% Perpetual	1,800,000	1,665	0.39

Portfolio Statement (continued)

	Holding at 27.7.20	Market Value £000's	% of net assets
Telefonica Europe FRN 3.875% Perpetual	2,900,000	2,721	0.64
		28,184	6.62
Norway 0.99% (0.80%)			
B2Holding FRN 4.25% 14/11/2022	3,409,000	2,733	0.64
B2Holding FRN 6.35% 28/05/2024	2,095,000	1,470	0.35
		4,203	0.99
Portugal 0.04% (0.04%)			
Banco Espirito Santo 4% 21/01/2019 ⁵	1,200,000	175	0.04
		175	0.04
Singapore 0.93% (0.87%)			
Mulhacen 6.5% 01/08/2023	10,210,000	3,966	0.93
		3,966	0.93
Spain 1.86% (2.27%)			
Naviera Armas FRN 6.5% 31/07/2023	2,797,000	1,376	0.32
NH Hotel Group 3.75% 01/10/2023	1,573,611	1,302	0.31
Naviera Armas FRN 4.25% 15/11/2024	4,476,000	2,125	0.50
Foodco Bondco 6.25% 15/05/2026	1,000,000	702	0.16
Banco de Sabadell FRN 5.375% 12/12/2028	2,000,000	1,856	0.44
Abanca Corp. Bancaria FRN 6.125% 18/01/2029	600,000	564	0.13
		7,925	1.86
Supranational 0.74% (0.14%)			
Digicel International Finance 8.75% 25/05/2024	4,000,000	3,140	0.74
		3,140	0.74

	Holding at 27.7.20	Market Value £000's	% of net assets
Sweden 1.91% (0.37%)			
Dometic Group 3% 13/09/2023	1,374,000	1,238	0.29
Heimstaden Bostad FRN 3.248% Perpetual	7,678,000	6,890	1.62
		8,128	1.91
Switzerland 0.30% (0.00%)			
Aryzta FRN 0% Perpetual	2,170,000	1,255	0.30
		1,255	0.30
United Kingdom 26.04% (26.74%)			
Very Group Funding 7.75% 15/11/2022	4,072,000	3,738	0.88
Algeco Global Finance 6.5% 15/02/2023	8,773,000	7,713	1.81
Algeco Global Finance 8% 15/02/2023	3,000,000	2,325	0.55
Algeco Global Finance 8% 15/02/2023 (Private Placement)	1,500,000	1,140	0.27
Algeco Global Finance FRN 6.25% 15/02/2023	1,135,000	972	0.23
Anglian Water Osprey Financing 5% 30/04/2023	2,200,000	2,246	0.53
Voyage Care BondCo 5.875% 01/05/2023	1,300,000	1,200	0.28
Jerrold Finco 6.125% 15/01/2024	4,564,000	4,404	1.03
Heathrow Finance 4.75% 01/03/2024	3,551,000	3,595	0.84
Saga 3.375% 12/05/2024	11,546,000	9,086	2.13
Ithaca Energy North Sea 9.375% 15/07/2024	9,530,000	6,385	1.50
Viridian Group FinanceCo 4.75% 15/09/2024	3,730,000	3,655	0.86
eG Global Finance 4.375% 07/02/2025	1,400,000	1,206	0.28
TalkTalk Telecom Group 3.875% 20/02/2025	1,276,000	1,245	0.29
Viridian Group FinanceCo 4% 15/09/2025	2,000,000	1,788	0.42

Portfolio Statement (continued)

	Holding at 27.7.20	Market Value £000's	% of net assets
Pinewood Finance 3.25% 30/09/2025	1,464,000	1,468	0.34
Jaguar Land Rover Automotive 4.5% 15/01/2026	171,000	127	0.03
Jerrold Finco 4.875% 15/01/2026	3,472,000	3,203	0.75
Anglian Water Osprey Financing 4% 08/03/2026	6,160,000	6,068	1.43
Merlin Entertainments 5.75% 15/06/2026	1,604,000	1,198	0.28
Jaguar Land Rover Automotive 6.875% 15/11/2026	158,000	127	0.03
Intermediate Capital Group 1.625% 17/02/2027	1,292,000	1,096	0.26
Virgin Media Secured Finance 5% 15/04/2027	2,000,000	2,089	0.49
Sainsbury's Bank FRN 6% 23/11/2027	6,085,000	6,161	1.45
Quilter FRN 4.478% 28/02/2028	3,417,000	3,421	0.80
Intu SGS Finance REIT 3.875% 17/03/2028	1,000,000	600	0.14
Metro Bank FRN 5.5% 26/06/2028	12,895,000	7,086	1.66
Investec Bank FRN 4.25% 24/07/2028	3,502,000	3,429	0.81
Reassure Group 5.867% 13/06/2029	1,213,000	1,344	0.32
Just Group 8.125% 26/10/2029	4,375,000	4,512	1.06
Phoenix Group Holdings 5.625% 28/04/2031	863,000	979	0.23
Pension Insurance 4.625% 07/05/2031	800,000	872	0.20
Greene King Finance FRN 2.278% 15/03/2036	1,740,000	1,306	0.31
Mitchells & Butlers Finance FRN 2.323% 15/06/2036	2,215,000	1,484	0.35
Tesco 6.15% 15/11/2037	329,000	336	0.08
M&G FRN 3.875% 20/07/2049	1,372,000	1,413	0.33
RL Finance Bonds NO 4 FRN 4.875% 07/10/2049	785,000	835	0.20

	Holding at 27.7.20	Market Value £000's	% of net assets
Barclays Bank FRN 6.86% Perpetual	3,763,000	3,590	0.84
BP Capital Markets FRN 4.25% Perpetual	2,615,000	2,713	0.64
Nationwide Building Society FRN 5.75% Perpetual			
Royal Bank of Scotland Group FRN 2.628% Perpetual	1,547,000 4,300,000	1,593 3,166	0.37 0.74
		110,914	26.04
United States of America 6.14% (6.92%)			
Mohawk Industries 2% 14/01/2022	1,000,000	876	0.21
Arrow Bidco 9.5% 15/03/2024	5,000,000	3,108	0.73
EnLink Midstream Partners 4.4% 01/04/2024	1,750,000	1,142	0.27
Ford Motor 9% 22/04/2025	1,259,000	1,122	0.26
Ford Motor Credit 5.125% 16/06/2025	1,000,000	812	0.19
PVH 4.625% 10/07/2025	1,615,000	1,277	0.30
TripAdvisor 7% 15/07/2025	2,441,000	1,994	0.47
GC EOS Buyer 9.25% 01/08/2025	2,000,000	1,476	0.35
MPT Operating Partnership REIT 5.25% 01/08/2026	4,000,000	3,275	0.77
MPT Operating Partnership REIT 5% 15/10/2027	1,785,000	1,490	0.35
Sotheby's 7.375% 15/10/2027	1,494,000	1,156	0.27
Winnebago Industries 6.25% 15/07/2028	396,000	320	0.07
Pattern Energy Operations 4.5% 15/08/2028	1,159,000	941	0.22
Energy Transfer Operating FRN 6.25% Perpetual	12,856,000	7,170	1.68
		26,159	6.14
Corporate Bonds total		410,139	96.30

Portfolio Statement (continued)

	Holding at 27.7.20	Market Value £000's	% of net assets
Convertible Bonds 0.53% (1.57%)			
Jersey 0.53% (1.57%)			
Intu Jersey 2 REIT 2.88% 01/11/2022	13,900,000	2,259	0.53
		2,259	0.53
Convertible Bonds total			
		2,259	0.53

Swaps 0.04% ((0.34)%)			
Credit Default Swap Barclays Buy BP 3.161% 17/03/2021 20/06/2025	EUR 4,000,000	(40)	(0.01)
Credit Default Swap Barclays Buy United Mexican States 4.15% 28/03/2027 20/06/2025	USD 7,000,000	101	0.02
Credit Default Swap BNP Paribas Buy Energy Transfer Operating 5.875% 15/01/2024 20/06/2025	USD 924,000	16	0.00
Credit Default Swap Goldman Sachs Buy Energy Transfer Operating 5.875% 15/01/2024 20/06/2025	USD 1,672,000	29	0.01
Credit Default Swap J.P. Morgan Buy Energy Transfer Operating 5.875% 15/01/2024 20/06/2025	USD 2,091,000	36	0.01
Credit Default Swap BNP Paribas Sell Atlantia 5.875% 09/06/2024 20/06/2021	EUR 5,000,000	(42)	(0.01)
Credit Default Swap Credit Suisse Sell Casino Guichard Perrachon 1.865% 13/06/2022 20/06/2022	EUR 613,744	(35)	(0.01)

	Holding at 27.7.20	Market Value £000's	% of net assets
Credit Default Swap Goldman Sachs Sell Casino Guichard Perrachon 1.865% 13/06/2022 20/12/2022	EUR 2,000,000	(141)	(0.03)
Credit Default Swap Goldman Sachs Sell SUPERVALU 6.75% 01/06/2021 20/06/2023	USD 4,144,737	144	0.03
Credit Default Swap J.P. Morgan Sell AT&T 2.45% 30/06/2020 20/12/2024	USD 9,000,000	50	0.01
Credit Default Swap Citigroup Global Markets Sell Intrum 3.125% 15/07/2024 20/12/2024	EUR 5,000,000	(55)	(0.01)
Credit Default Swap Credit Suisse Sell Grifols 3.2% 01/05/2025 20/12/2024	EUR 2,000,000	253	0.06
Credit Default Swap Citigroup Global Markets Sell British Telecommunications 5.75% 07/12/2028 20/12/2024	EUR 5,000,000	50	0.01
Credit Default Swap Barclays Bank Sell Europcar Mobility Group 4.125% 15/11/2024 20/06/2025	EUR 1,694,488	(187)	(0.04)
Swaps total		179	0.04

Swaptions 0.04% (0.00%)			
Credit Default Swap J.P.Morgan Buy ITRAXX. EUROPE. CROSSOVER.33-V1 Put 0.045 16/09/2020	EUR 46,000,000	278	0.07

Portfolio Statement (continued)

	Holding at 27.7.20	Market Value £000's	% of net assets
Credit Default Swap J.P.Morgan Buy ITRAXX.EUROPE. CROSSOVER.33-V1 Put 0.055 16/09/2020	EUR (46,000,000)	(114)	(0.03)
Swaptions total		164	0.04

Forward Foreign Currency Contracts 0.49% (0.14%)

Buy CHF 1,025,397 Sell GBP 867,111 29/07/2020	CHF 1,025,397	(2)	0.00
Buy EUR 16,929,738 Sell GBP 15,274,644 29/07/2020	EUR 16,929,738	150	0.04
Buy EUR 48,380,586 Sell GBP 44,101,822 29/07/2020	EUR 48,380,586	(23)	(0.01)
Buy EUR 783,315 Sell GBP 713,961 27/08/2020	EUR 783,315	0	0.00
Buy EUR 7,000,000 Sell GBP 6,351,373 28/10/2020	EUR 7,000,000	36	0.01
Buy USD 58,829,362 Sell GBP 46,520,076 29/07/2020	USD 58,829,362	(811)	(0.19)
Sell CHF 1,025,397 Buy GBP 867,775 29/07/2020	CHF (1,025,397)	2	0.00
Sell CHF 1,025,397 Buy GBP 867,675 27/08/2020	CHF (1,025,397)	1	0.00

Sell EUR 65,310,324 Buy GBP 58,719,658 29/07/2020	EUR (65,310,324)	(784)	(0.18)
Sell EUR 45,588,875 Buy GBP 41,572,860 27/08/2020	EUR (45,588,875)	16	0.00
Sell EUR 53,501,879 Buy GBP 48,096,823 27/08/2020	EUR (53,501,879)	(673)	(0.16)
Sell EUR 48,585,879 Buy GBP 43,642,751 24/09/2020	EUR (48,585,879)	(665)	(0.16)
Sell EUR 65,683,863 Buy GBP 59,448,336 28/10/2020	EUR (65,683,863)	(485)	(0.11)
Sell USD 58,829,362 Buy GBP 47,482,195 29/07/2020	USD (58,829,362)	1,773	0.42
Sell USD 74,291,931 Buy GBP 59,291,533 27/08/2020	USD (74,291,931)	1,579	0.37
Sell USD 28,729,635 Buy GBP 23,432,296 24/09/2020	USD (28,729,635)	1,117	0.26
Sell USD 30,074,418 Buy GBP 24,193,041 28/10/2020	USD (30,074,418)	838	0.20
Forward Foreign Currency Contracts total		2,069	0.49
Portfolio of investments		414,810	97.40
Net other assets		11,064	2.60
Net assets attributable to unitholders		425,874	100.00

The comparative percentage figures in brackets are as at 27 July 2019.

Unless otherwise stated, all securities are admitted to official stock exchange listings.

§ Security is currently in default.

Statement of Total Return

For the year ended 27 July 2020

		2020		2019	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital losses	2		(40,673)		(29,367)
Revenue	3	32,213		43,887	
Expenses	4	(4,115)		(5,571)	
Net revenue before taxation		28,098		38,316	
Taxation	5	(329)		0	
Net revenue after taxation			27,769		38,316
Total return before distributions			(12,904)		8,949
Distributions	6		(31,280)		(43,000)
Change in net assets attributable to unitholders from investment activities			(44,184)		(34,051)

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 27 July 2020

	2020		2019	
	£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders		597,805		705,818
Amounts receivable on issue of units	26,821		94,494	
Amounts payable on cancellation of units	(171,549)		(196,035)	
		(144,728)		(101,541)
Dilution adjustment		305		793
Change in net assets attributable to unitholders from investment activities		(44,184)		(34,051)
Retained distribution on Accumulation units		16,675		26,783
Unclaimed distributions		1		3
Closing net assets attributable to unitholders		425,874		597,805

Balance Sheet

As at 27 July 2020

		2020	2019
	Notes	£000's	£000's
Assets			
Investments		418,867	573,522
Current assets			
Debtors	8	7,134	10,742
Cash and bank balances	9	10,756	29,341
Total assets		436,757	613,605
Liabilities			
Investment liabilities		(4,057)	(2,735)
Creditors			
Bank overdrafts	10	(366)	0
Distributions payable		(1,057)	(1,310)
Other creditors	11	(5,403)	(11,755)
Total liabilities		(10,883)	(15,800)
Net assets attributable to unitholders		425,874	597,805

Notes to the Accounts

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 and in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 (The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)).

Revenue

Interest receivable from bank balances, futures clearing houses and brokers is accounted for on an accruals basis. Interest receivable from debt securities is accounted for on an effective yield basis.

Interest on debt securities bought or sold

Interest on debt securities bought or sold is excluded from the capital cost of securities, and is dealt with as part of the revenue of the Fund.

Expenses

Expenses of the Fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the Fund. All expenses except for professional fee are accounted for on an accruals basis.

Taxation

The Fund satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions made are therefore made as interest distributions.

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

Distributions

The revenue available for distribution is the total revenue earned by the Fund, less deductible expenses and taxation charged to revenue. For Accumulation units this revenue is not distributed but automatically reinvested in the Fund and is reflected in the value of these units.

Distributions which have remained unclaimed by unitholders for more than six years are credited to the capital property of the Fund.

Dilution adjustment

In certain circumstances the Manager may apply a dilution adjustment on subscriptions and redemptions of units. If applied, the dilution adjustment is paid to the Fund. See Prospectus for further details.

Valuation

All investments held by the Fund have been valued at market value at 18:00 on the last working day of the accounting period. Market value is defined by the Statement of Recommended Practice as fair value which generally is the bid value of each security and the offer value for short positions.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate prevailing on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at the exchange rates prevailing at the balance sheet date.

Credit default swaps

The upfront fees received on a mark to market basis are split between capital and revenue as appropriate. For sell protections, periodic premiums are accounted for on an accruals basis and are included under Net revenue return from derivative contracts.

2 Net capital losses

The net capital losses during the year comprise:

	2020 £000's	2019 £000's
Non-derivative securities	(39,970)	(21,396)
Derivative contracts	(774)	(621)
Forward foreign currency contracts	88	(4,932)
Foreign currency losses	(3)	(2,407)
Transaction costs	(14)	(11)
Net capital losses	(40,673)	(29,367)

Notes to the Accounts (continued)

3 Revenue

	2020 £000's	2019 £000's
Interest on debt securities	31,552	43,084
Bank interest	65	216
Net revenue return from derivative contracts	596	587
Total revenue	32,213	43,887

4 Expenses

	2020 £000's	2019 £000's
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	3,510	4,683
Administration charge	500	677
	4,010	5,360
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	53	65
Safe custody fees	16	26
	69	91
Other expenses:		
Audit fee	11	8
Professional fee	0	1
Interest payable	25	111
	36	120
Total expenses	4,115	5,571

5 Taxation

Corporation tax has not been provided for as expenses and interest distributions payable by the Fund exceed the revenue liable to corporation tax.

(a) Analysis of the tax charge for the year

	2020 £000's	2019 £000's
Overseas withholding tax	329	0
Total current tax (Note 5(b))	329	0

Notes to the Accounts (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for authorised unit trusts of 20% (2019 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2020 £000's	2019 £000's
Net revenue before taxation	28,098	38,316
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	5,620	7,663
Effects of:		
Interest distributions deductible for tax purposes	(5,620)	(7,663)
Irrecoverable overseas withholding tax	329	0
Current tax charge for the year (Note 5(a))	329	0

6 Distributions

The distributions, which are on an effective yield basis, take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:

	2020 £000's	2019 £000's
Monthly Interest distribution	3,393	3,532
Monthly Interest distribution	2,817	4,038
Monthly Interest distribution	2,483	3,910
Monthly Interest distribution	2,957	3,981
Monthly Interest distribution	2,672	3,728
Interim Interest distribution	2,069	2,994
Monthly Interest distribution	2,399	3,610
Monthly Interest distribution	2,683	3,313
Monthly Interest distribution	2,215	3,451
Monthly Interest distribution	2,527	3,232
Monthly Interest distribution	2,349	3,710
Final Interest distribution	2,256	3,167
	30,820	42,666
Add: Revenue deducted on cancellation of units	535	598
Deduct: Revenue received on issue of units	(75)	(264)
Distributions	31,280	43,000
Net revenue after taxation	27,769	38,316
Expenses taken to capital	3,510	4,684
Movement in undistributed revenue	1	0
Distributions	31,280	43,000

Details of the distributions per unit are set out in the Distribution Table on pages 32 to 43.

Notes to the Accounts (continued)

7 Fair value hierarchy

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Basis of valuation	2020		2019	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Level 1: Quoted prices	0	0	0	0
Level 2: Observable market data	418,054	(3,485)	573,522	(2,735)
Level 3: Unobservable data	813	(572)	0	0
Total	418,867	(4,057)	573,522	(2,735)

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Unobservable data

Unobservable data has been used only where relevant observable market data is not available. Where there was no reputable price source for an investment, the Manager has assessed information available from internal and external sources in order to arrive at an estimated fair value. The fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. The Manager of the Fund also makes judgements and estimates based on their knowledge of recent investment performance, historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions used are under continuous review by the Manager with particular attention paid to the carrying value of the investments.

8 Debtors

	2020 £000's	2019 £000's
Amounts receivable for issue of units	82	242
Sales awaiting settlement	107	482
Accrued revenue	6,868	9,947
Amounts receivable on derivative contracts	77	71
Total debtors	7,134	10,742

9 Cash and bank balances

	2020 £000's	2019 £000's
Cash and bank balances	8,590	24,341
Amounts held at futures clearing houses and brokers	2,166	5,000
Total cash and bank balances	10,756	29,341

10 Bank overdrafts

	2020 £000's	2019 £000's
Bank overdrafts	366	0
Total bank overdrafts	366	0

Notes to the Accounts (continued)

11 Other creditors

	2020 £000's	2019 £000's
Amounts payable for cancellation of units	2,744	1,592
Purchases awaiting settlement	2,380	9,792
Accrued expenses	278	371
Interest payable	1	0
Total other creditors	5,403	11,755

12 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2019 – Nil).

If a holder of a call option exercised the option, the Fund would be liable for the difference between the strike price of the option and the market value of the underlying security at the point of exercise.

13 Related party transactions

The Manager exercises control over the Fund and is therefore a related party by virtue of its controlling influence.

Amounts paid during the year or due to the Manager at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

The Manager acts as principal on all transactions of units in the Fund. The aggregate monies paid through the issue and cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Distributions in the Notes to the Accounts. Amounts due from or to the Manager in respect of unit transactions at the balance sheet date are included under Debtors and Other creditors in the Notes to the Accounts.

Units held or managed by the Manager or associates of the Manager as a percentage of the Fund's net asset value at the balance sheet date were 5.12% (2019 – 3.37%).

14 Unit classes

The Fund currently has five unit classes. The Annual Management charge is based on the average value of the Fund, calculated on a daily basis, and covers the remuneration of the Manager, the Investment Adviser and their overhead expenses and for each unit class is as follows:

A Income units	1.25%
A Accumulation units	1.25%
X Accumulation units	0.00%
Z Income units	0.60%
Z Accumulation units	0.60%

The closing net asset value of each unit class, the closing net asset value per unit and the closing number of units in issue are given in the Comparative Table on pages 10 to 12. The distributions per unit class are given in the Distribution Table on pages 32 to 43. All classes have the same rights on winding up.

15 Derivative and other financial instruments

The main risks arising from the Fund's financial instruments are market price, foreign currency, liquidity, credit and interest rate risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year and the prior year.

Market price risk

The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Prospectus and in the Collective Investment Schemes sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Where a portion of the net assets of the Fund are denominated in currencies other than sterling the balance sheet and total return can be affected by currency movements. Therefore the Manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the Fund's exposure to currency risk is reduced.

Revenue received in other currencies is translated to sterling on or near the date of receipt. The Fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Notes to the Accounts (continued)

Liquidity risk

The primary source of this risk to the Fund is the liability to unitholders for any cancellation of units. This risk is minimised by holding cash, readily realisable securities and access to overdraft facilities up to the amount prescribed by the Collective Investment Schemes sourcebook.

Credit risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

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.

The Fund may invest in fixed and floating rate securities. The revenue of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of interest bearing securities may be affected by interest rate movements or the expectation of such movements in the future. Interest payable on bank overdraft positions will be affected by fluctuations in interest rates.

Floating rate financial assets and financial liabilities

Sterling denominated bank balances and bank overdrafts bear interest at rates based on the Sterling Overnight Index Average rate. Sterling denominated floating rate bonds, foreign currency bank balances, bank overdrafts and amounts held or overdrawn at futures clearing houses and brokers bear interest at rates based on the London Interbank Offer Rate or its international equivalent. Euro denominated floating rate notes/bonds bear interest at rates based on Euro Interbank Offer Rate. US dollar denominated floating rate notes/bonds bear interest at rates based on US London Interbank Offer Rate.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Derivatives

During the year the Fund entered into derivative contracts for specific investment purposes in addition to being used for efficient management.

Global risk exposure

Absolute VaR approach

The approach used for the Funds managed with an absolute return target, an absolute volatility limit or a target of outperforming an interest rate benchmark.

Regulatory VaR limit utilisation

	2020			2019		
	Lowest	Highest	Average	Lowest	Highest	Average
	11.39%	61.84%	26.46%	14.50%	21.00%	16.48%

Information on VaR model

Model type	Length of data history	2020		Length of data history	2019	
		Confidence level	Holding period		Confidence level	Holding period
Parametric VaR/Monte Carlo simulation	All available history	99%	20 days	All available history	99%	20 days

Notes to the Accounts (continued)

Leverage

Information on the limit usage and level of leverage

The level of leverage is an indication of the derivative usage and of any leverage generated by the reinvestment of cash received as collateral when using efficient portfolio management techniques. It does not take into account other physical assets directly held in the portfolio of the Fund. The figure is not representative of the maximum amount that a Fund could lose, as it includes the derivatives used to protect the Net Asset Value of a Fund as well as the derivatives backed by risk free assets and derivatives which do not generate any incremental exposure, leverage or market risk from an economic perspective. The reported leverage figure is therefore not a true representation of the economic leverage¹ in the Fund.

The level of leverage disclosed is based on the total notional value² of all derivative instruments held by a Fund and is expressed as a percentage of the Fund's Net Asset Value. For the purpose of this calculation the holdings and offset derivative positions (long and short positions) do not cancel each other out and the figure is a sum of the total holdings.

Leverage

2020				2019			
Lowest	Highest	Average	Leverage 27 July	Lowest	Highest	Average	Leverage 27 July
68.10%	275.09%	101.36%	149.88%	70.70%	231.60%	104.43%	71.10%

- Where economic leverage is the sum of derivative commitments (calculated in line with European Securities and Markets Authority 10/788) and excludes derivatives used within hedging arrangements, derivatives whose commitments is covered by risk free assets and derivatives which are not considered to generate any incremental exposure and leverage or market risk.
- Delta adjusted in line with European Securities and Markets Authority 10/788 when appropriate.

16 Debt securities credit analysis

	2020 £000's	2019 £000's
Investment grade securities	51,765	48,973
Below investment grade securities	333,069	478,212
Unrated securities	27,564	44,793
Total debt securities	412,398	571,978

17 Direct transaction costs

No transaction costs on the purchase or sale of investments were incurred by the Fund during the year or prior year. The total purchases for the year amounted to £305,837,464 (2019 – £248,253,693) and the total sales amounted to £428,184,536 (2019 – £354,416,355).

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 1.91% (2019 – 1.22%).

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

18 Units in issue reconciliation

	Number of units in issue 27.7.19	Number of units issued	Number of units cancelled	Number of units converted	Number of units in issue 27.7.20
A Income units	118,178,174	23,361,606	(17,357,966)	(22,538,575)	101,643,239
A Accumulation units	27,371,351	441,403	(5,571,771)	(1,711,998)	20,528,985
X Accumulation units	1,988	2,846,469	0	0	2,848,457
Z Income units	374,744,484	19,056,481	(81,364,382)	19,512,066	331,948,649
Z Accumulation units	369,726,925	5,897,305	(139,995,251)	2,869,231	238,498,210

Notes to the Accounts (continued)

19 Counterparty exposure

The types of derivatives held at the balance sheet date were forward foreign currency contracts, credit default swaps and swaption contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

Counterparty	Forward foreign currency contracts £000's	Credit default swaps £000's	Swaption contracts £000's	Total £000's
Bank of America				
2020	1,117	0	0	1,117
2019	1	0	0	1
Barclays Capital				
2020	(592)	(126)	0	(718)
2019	(4)	(85)	0	(89)
BNP Paribas				
2020	460	(26)	0	434
2019	0	(1,393)	0	(1,393)
Citibank				
2020	(15)	(5)	0	(20)
2019	0	(724)	0	(724)
Credit Suisse				
2020	0	218	0	218
2019	0	0	0	0
Deutsche Bank				
2020	(51)	0	0	(51)
2019	0	0	0	0
Goldman Sachs				
2020	3	32	0	35
2019	0	217	0	217
HSBC				
2020	(665)	0	0	(665)
2019	0	0	0	0
JPMorgan Chase				
2020	(285)	86	164	(35)
2019	1,225	0	0	1,225
Lloyds				
2020	59	0	0	59
2019	0	0	0	0

Notes to the Accounts (continued)

Counterparty	Forward foreign currency contracts £000's	Credit default swaps £000's	Swaption contracts £000's	Total £000's
Morgan Stanley				
2020	0	0	0	0
2019	0	(16)	0	(16)
Royal Bank of Canada				
2020	65	0	0	65
2019	0	0	0	0
State Street				
2020	1,960	0	0	1,960
2019	(412)	0	0	(412)
UBS				
2020	13	0	0	13
2019	0	0	0	0

Previously futures contracts were disclosed in the table above. The prior comparative year figures have not been amended.

The collateral held/(pledged) by the Fund on behalf of the counterparties at the balance sheet date was as follows:

Counterparty	2020 £000's	2019 £000's
Bank of America	890	0
Barclays Capital	(740)	(260)
BNP Paribas	240	(1,180)
Citibank	(70)	(710)
Credit Suisse	280	0
HSBC	(640)	0
JPMorgan Chase	(90)	(2,840)
Morgan Stanley	0	(10)
State Street	1,460	0
Total	1,330	(5,000)

The nature of collateral held/(pledged) by the Fund on behalf of the counterparties at the balance sheet date was as follows:

Counterparty	2020 £000's	2019 £000's
Cash	1,330	(5,000)
Total	1,330	(5,000)

Notes to the Accounts (continued)

20 Non-adjusting post balance sheet events

As a result of market movements and foreign exchange rates, since the balance sheet date on 27 July 2020, the price of each unit class has changed as follows:

	Dealing price p at 9.11.20	Dealing price p at 27.7.20	% change
A Income units	42.57	41.69	2.11
A Accumulation units	140.70	135.00	4.22
X Accumulation units	58.23	55.65	4.64
Z Income units	49.13	48.03	2.29
Z Accumulation units	87.42	83.72	4.42

Distribution Table

Distribution for the month ended 27 August 2019

Group 1 Units purchased prior to 28 July 2019

Group 2 Units purchased on or after 28 July 2019

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution paid 25.9.19 p per unit	Distribution paid 25.9.18 p per unit
A Income units				
Group 1	0.2649	–	0.2649	0.2302
Group 2	0.1470	0.1179	0.2649	0.2302
A Accumulation units				
Group 1	0.8086	–	0.8086	0.6596
Group 2	0.2855	0.5231	0.8086	0.6596
X Accumulation units				
Group 1	0.3324	–	0.3324	0.0000 [†]
Group 2	0.3324	0.0000	0.3324	0.0000 [†]
Z Income units				
Group 1	0.3032	–	0.3032	0.2619
Group 2	0.1444	0.1588	0.3032	0.2619
Z Accumulation units				
Group 1	0.4982	–	0.4982	0.4039
Group 2	0.2268	0.2714	0.4982	0.4039

[†] There was no distribution as the total amount distributable was below de minimis.

Distribution Table (continued)

Distribution for the month ended 27 September 2019

Group 1 Units purchased prior to 28 August 2019

Group 2 Units purchased on or after 28 August 2019

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution paid 25.10.19 p per unit	Distribution paid 25.10.18 p per unit
A Income units				
Group 1	0.2286	–	0.2286	0.2564
Group 2	0.1205	0.1081	0.2286	0.2564
A Accumulation units				
Group 1	0.7029	–	0.7029	0.7381
Group 2	0.3797	0.3232	0.7029	0.7381
X Accumulation units				
Group 1	0.2957	–	0.2957	0.0000 [†]
Group 2	0.2957	0.0000	0.2957	0.0000 [†]
Z Income units				
Group 1	0.2621	–	0.2621	0.2918
Group 2	0.1260	0.1361	0.2621	0.2918
Z Accumulation units				
Group 1	0.4333	–	0.4333	0.4520
Group 2	0.2214	0.2119	0.4333	0.4520

[†] There was no distribution as the total amount distributable was below de minimis.

Distribution Table (continued)

Distribution for the month ended 27 October 2019

Group 1 Units purchased prior to 28 September 2019

Group 2 Units purchased on or after 28 September 2019

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution paid 25.11.19 p per unit	Distribution paid 25.11.18 p per unit
A Income units				
Group 1	0.2034	–	0.2034	0.2425
Group 2	0.1332	0.0702	0.2034	0.2425
A Accumulation units				
Group 1	0.6277	–	0.6277	0.7021
Group 2	0.2406	0.3871	0.6277	0.7021
X Accumulation units				
Group 1	0.2615	–	0.2615	0.0000 [†]
Group 2	0.2615	0.0000	0.2615	0.0000 [†]
Z Income units				
Group 1	0.2330	–	0.2330	0.2761
Group 2	0.1157	0.1173	0.2330	0.2761
Z Accumulation units				
Group 1	0.3871	–	0.3871	0.4302
Group 2	0.1677	0.2194	0.3871	0.4302

[†] There was no distribution as the total amount distributable was below de minimis.

Distribution Table (continued)

Distribution for the month ended 27 November 2019

Group 1 Units purchased prior to 28 October 2019

Group 2 Units purchased on or after 28 October 2019

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution paid 25.12.19 p per unit	Distribution paid 25.12.18 p per unit
A Income units				
Group 1	0.2454	–	0.2454	0.2480
Group 2	0.0928	0.1526	0.2454	0.2480
A Accumulation units				
Group 1	0.7613	–	0.7613	0.7217
Group 2	0.3010	0.4603	0.7613	0.7217
X Accumulation units				
Group 1	0.3172	–	0.3172	0.0000 [†]
Group 2	0.2578	0.0594	0.3172	0.0000 [†]
Z Income units				
Group 1	0.2814	–	0.2814	0.2825
Group 2	0.1128	0.1686	0.2814	0.2825
Z Accumulation units				
Group 1	0.4698	–	0.4698	0.4425
Group 2	0.2355	0.2343	0.4698	0.4425

[†] There was no distribution as the total amount distributable was below de minimis.

Distribution Table (continued)

Distribution for the month ended 27 December 2019

Group 1 Units purchased prior to 28 November 2019

Group 2 Units purchased on or after 28 November 2019

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution paid 25.1.20 p per unit	Distribution paid 25.1.19 p per unit
A Income units				
Group 1	0.2256	–	0.2256	0.2444
Group 2	0.1081	0.1175	0.2256	0.2444
A Accumulation units				
Group 1	0.7040	–	0.7040	0.7156
Group 2	0.2863	0.4177	0.7040	0.7156
X Accumulation units				
Group 1	0.2924	–	0.2924	0.0000 [†]
Group 2	0.2924	0.0000	0.2924	0.0000 [†]
Z Income units				
Group 1	0.2589	–	0.2589	0.2787
Group 2	0.1365	0.1224	0.2589	0.2787
Z Accumulation units				
Group 1	0.4347	–	0.4347	0.4390
Group 2	0.2230	0.2117	0.4347	0.4390

[†] There was no distribution as the total amount distributable was below de minimis.

Distribution Table (continued)

Interim distribution for the month ended 27 January 2020

Group 1 Units purchased prior to 28 December 2019

Group 2 Units purchased on or after 28 December 2019

	Net revenue 2020 p per unit	Equalisation 2020 p per unit	Distribution paid 25.2.20 p per unit	Distribution paid 25.2.19 p per unit
A Income units				
Group 1	0.1792	–	0.1792	0.2008
Group 2	0.0882	0.0910	0.1792	0.2008
A Accumulation units				
Group 1	0.5617	–	0.5617	0.5910
Group 2	0.2127	0.3490	0.5617	0.5910
X Accumulation units				
Group 1	0.2347	–	0.2347	6.3649
Group 2	0.2347	0.0000	0.2347	6.3649
Z Income units				
Group 1	0.2057	–	0.2057	0.2289
Group 2	0.0528	0.1529	0.2057	0.2289
Z Accumulation units				
Group 1	0.3470	–	0.3470	0.3627
Group 2	0.1130	0.2340	0.3470	0.3627

Distribution Table (continued)

Distribution for the month ended 27 February 2020

Group 1 Units purchased prior to 28 January 2020

Group 2 Units purchased on or after 28 January 2020

	Net revenue 2020 p per unit	Equalisation 2020 p per unit	Distribution paid 25.3.20 p per unit	Distribution paid 25.3.19 p per unit
A Income units				
Group 1	0.2113	–	0.2113	0.2488
Group 2	0.1191	0.0922	0.2113	0.2488
A Accumulation units				
Group 1	0.6652	–	0.6652	0.7355
Group 2	0.4938	0.1714	0.6652	0.7355
X Accumulation units				
Group 1	0.2775	–	0.2775	0.3048
Group 2	0.2775	0.0000	0.2775	0.3048
Z Income units				
Group 1	0.2427	–	0.2427	0.2839
Group 2	0.1121	0.1306	0.2427	0.2839
Z Accumulation units				
Group 1	0.4111	–	0.4111	0.4517
Group 2	0.1903	0.2208	0.4111	0.4517

Distribution Table (continued)

Distribution for the month ended 27 March 2020

Group 1 Units purchased prior to 28 February 2020

Group 2 Units purchased on or after 28 February 2020

	Net revenue 2020 p per unit	Equalisation 2020 p per unit	Distribution paid 25.4.20 p per unit	Distribution paid 25.4.19 p per unit
A Income units				
Group 1	0.2456	–	0.2456	0.2337
Group 2	0.1191	0.1265	0.2456	0.2337
A Accumulation units				
Group 1	0.7768	–	0.7768	0.6948
Group 2	0.2391	0.5377	0.7768	0.6948
X Accumulation units				
Group 1	0.3226	–	0.3226	0.2836
Group 2	0.3226	0.0000	0.3226	0.2836
Z Income units				
Group 1	0.2822	–	0.2822	0.2669
Group 2	0.1278	0.1544	0.2822	0.2669
Z Accumulation units				
Group 1	0.4804	–	0.4804	0.4269
Group 2	0.2045	0.2759	0.4804	0.4269

Distribution Table (continued)

Distribution for the month ended 27 April 2020

Group 1 Units purchased prior to 28 March 2020

Group 2 Units purchased on or after 28 March 2020

	Net revenue 2020 p per unit	Equalisation 2020 p per unit	Distribution paid 25.5.20 p per unit	Distribution paid 25.5.19 p per unit
A Income units				
Group 1	0.2036	–	0.2036	0.2454
Group 2	0.1143	0.0893	0.2036	0.2454
A Accumulation units				
Group 1	0.6481	–	0.6481	0.7332
Group 2	0.2691	0.3790	0.6481	0.7332
X Accumulation units				
Group 1	0.2701	–	0.2701	0.3002
Group 2	0.2701	0.0000	0.2701	0.3002
Z Income units				
Group 1	0.2341	–	0.2341	0.2803
Group 2	0.1322	0.1019	0.2341	0.2803
Z Accumulation units				
Group 1	0.4010	–	0.4010	0.4507
Group 2	0.2126	0.1884	0.4010	0.4507

Distribution Table (continued)

Distribution for the month ended 27 May 2020

Group 1 Units purchased prior to 28 April 2020

Group 2 Units purchased on or after 28 April 2020

	Net revenue 2020 p per unit	Equalisation 2020 p per unit	Distribution paid 25.6.20 p per unit	Distribution paid 25.6.19 p per unit
A Income units				
Group 1	0.2340	–	0.2340	0.2372
Group 2	0.1257	0.1083	0.2340	0.2372
A Accumulation units				
Group 1	0.7491	–	0.7491	0.7124
Group 2	0.2332	0.5159	0.7491	0.7124
X Accumulation units				
Group 1	0.3119	–	0.3119	0.2917
Group 2	0.3119	0.0000	0.3119	0.2917
Z Income units				
Group 1	0.2692	–	0.2692	0.2711
Group 2	0.1264	0.1428	0.2692	0.2711
Z Accumulation units				
Group 1	0.4638	–	0.4638	0.4381
Group 2	0.2232	0.2406	0.4638	0.4381

Distribution Table (continued)

Distribution for the month ended 27 June 2020

Group 1 Units purchased prior to 28 May 2020

Group 2 Units purchased on or after 28 May 2020

	Net revenue 2020 p per unit	Equalisation 2020 p per unit	Distribution paid 25.7.20 p per unit	Distribution paid 25.7.19 p per unit
A Income units				
Group 1	0.2231	–	0.2231	0.2754
Group 2	0.1339	0.0892	0.2231	0.2754
A Accumulation units				
Group 1	0.7187	–	0.7187	0.8316
Group 2	0.4392	0.2795	0.7187	0.8316
X Accumulation units				
Group 1	0.3001	–	0.3001	0.3455
Group 2	0.3001	0.0000	0.3001	0.3455
Z Income units				
Group 1	0.2569	–	0.2569	0.3150
Group 2	0.1390	0.1179	0.2569	0.3150
Z Accumulation units				
Group 1	0.4452	–	0.4452	0.5118
Group 2	0.2487	0.1965	0.4452	0.5118

Distribution Table (continued)

Final distribution for the month ended 27 July 2020

Group 1 Units purchased prior to 28 June 2020

Group 2 Units purchased on or after 28 June 2020

	Net revenue 2020 p per unit	Equalisation 2020 p per unit	Distribution payable 25.8.20 p per unit	Distribution paid 25.8.19 p per unit
A Income units				
Group 1	0.2185	–	0.2185	0.2396
Group 2	0.0962	0.1223	0.2185	0.2396
A Accumulation units				
Group 1	0.7070	–	0.7070	0.7280
Group 2	0.4225	0.2845	0.7070	0.7280
X Accumulation units				
Group 1	0.2958	–	0.2958	0.2997
Group 2	0.2958	0.0000	0.2958	0.2997
Z Income units				
Group 1	0.2516	–	0.2516	0.2741
Group 2	0.1077	0.1439	0.2516	0.2741
Z Accumulation units				
Group 1	0.4382	–	0.4382	0.4482
Group 2	0.2028	0.2354	0.4382	0.4482

Equalisation

Equalisation applies to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of 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.

Remuneration

UCITS remuneration disclosures for Schroder Unit Trusts Limited ('SUTL') for the year to 31 December 2019

These disclosures form part of the non-audited section of this annual report and accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 72 to 108 of the 2019 Annual Report & Accounts (available on the Group's website – www.schroders.com/annualreport2019), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

The UCITS Material Risk Takers ('UCITS MRTs') of SUTL are individuals whose roles within the Schroders Group can materially affect the risk of SUTL or any UCITS fund that it manages. These roles are identified in line with the requirements of the UCITS Directive and guidance issued by the European Securities and Markets Authority.

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the UCITS Directive are met for all UCITS MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SUTL are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2019 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SUTL and the Remuneration Committee. The most recent review found no fundamental issues but resulted in a range of more minor recommendations, principally improvements to process and policy documentation.

The total spend on remuneration is determined based on a profit share ratio, measuring variable remuneration charge against pre-bonus profit, and from a total compensation ratio, measuring total remuneration expense against net income. This ensures that the interests of employees are aligned with Schroders financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2019.

- The total amount of remuneration paid by SUTL to its staff was nil as SUTL has no employees. SUTL has two independent Non Executive Directors who receive fees in respect of their role on the Board of SUTL¹. Employees of other Schroders Group entities who serve as Directors of SUTL receive no additional fees in respect of their role on the Board of SUTL.
- The following disclosures relate to UCITS MRTs of SUTL. Most of those UCITS MRTs were employed by and provided services to other Schroders group companies and clients. As a result, only a portion of remuneration for those individuals is included in the aggregate remuneration figures that follow, based on an objective apportionment to reflect the balance of each role using relevant regulated AUM as a proportion of the total AUM within the scope of each role. The aggregate total remuneration paid to the 176 UCITS MRTs of SUTL in respect of the financial year ended 31 December 2019, and attributed to SUTL or the UCITS funds that it manages, is £17.10 million, of which £3.29 million was paid to senior management, and £13.81 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the UCITS funds that it manages and Control Function MRTs.

For additional qualitative information on remuneration policies and practices see www.schroders.com/rem-disclosures.

1 The fees are not disclosed due to confidentiality and data protection considerations. The amount is not material to SUTL.

General Information

Manager

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

Investment Adviser

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

Trustee

J.P. Morgan Europe Limited
Chaseside
Bournemouth BH7 7DA

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

Registrar

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

The Manager is responsible for maintaining the register for each Fund. It has delegated certain registrar functions to HSBC Bank Plc, 8 Canada Square, London, E14 8HQ.

Administration Details

Schroders Investor Services
PO BOX 1402
Sunderland
SR43 4AF

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Authorisation

The Fund is an authorised unit trust and is constituted pursuant to the Collective Investment Schemes sourcebook and is structured as a Trust. The Fund is a UCITS scheme for the purpose of the categorisation of the Collective Investment Schemes sourcebook.

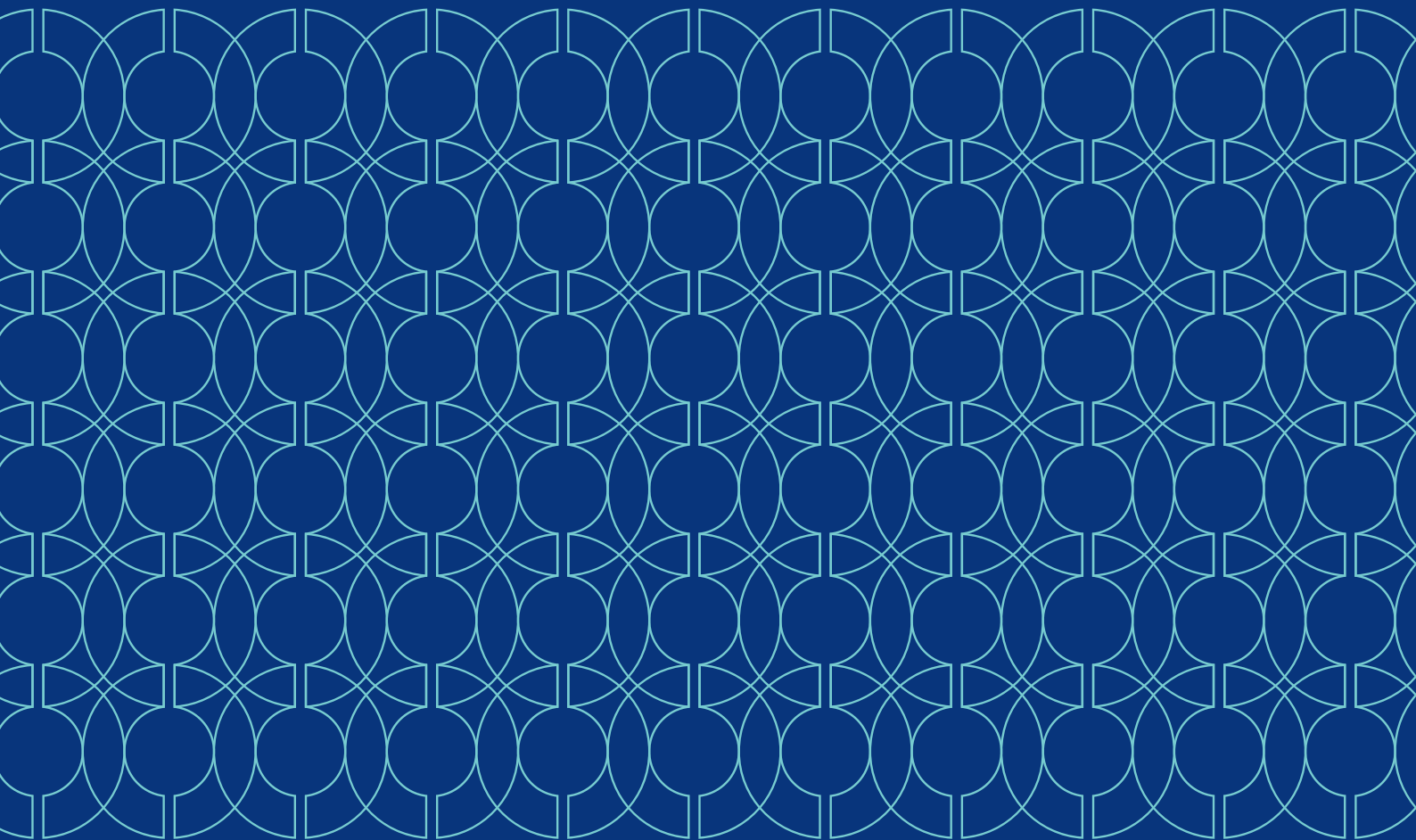
Value assessment

A statement on the Assessment of Value is published on the Global Fund Centre in the Fund Literature section at www.Schroders.com within 4 months of the annual 'reference date' 31 December.

Other information

With effect from 14 November 2019 for Z Income units and Z Accumulation units the minimum initial investment decreased from £1,000,000 to £50,000, the minimum subsequent investment decreased from £100,000 to £10,000 and the minimum holding decreased from £1,000,000 to £50,000.

The Prospectus, the Key Investor Information Document and details of investment charges and costs are available on request or can be downloaded from our website www.schroders.com.



EST. 1804

 **[schroders.com](https://www.schroders.com)**

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For further literature please contact Schroder Investor Services on 0800 182 2399 or schrodersinvestor@HSBC.com for Retail Clients, or 0345 030 7277 or schrodersinstitutional@HSBC.com for Institutional Clients, or visit our website at www.schroders.com.

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