

Schroder Strategic Bond Fund

June 2019

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¹ Collectively these comprise the Manager's report.

Fund Information

Investment objective and policy

The Schroder Strategic Bond Fund (the 'fund') aims to provide income and capital growth by investing in fixed and floating rate securities issued by governments, government agencies and companies worldwide.

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

The Fund may invest up to 40% of its assets in asset backed securities and mortgage backed securities.

The Fund may invest up to 50% of its assets in below investment grade securities as measured by Standard & Poor's or an equivalent credit rating agency, 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.

Financial highlights

Dealing price	14.6.19	15.6.18	% change
A Income units	51.83p	53.10p	(2.39)
A Accumulation units	64.50p	64.00p	0.78
L Income units	54.80p	55.72p	(1.65)
L Accumulation units	68.51p	67.41p	1.63
X Income (Quarterly) units	57.33p	57.84p	(0.88)
Z Income units	54.38p	55.35p	(1.75)
Z Accumulation units	67.49p	66.54p	1.43
	15.8.19	15.8.18	
Final distribution per Z Income unit	0.7500p	0.6794p	

Fund Information (continued)

Fund information

Launch date	27 March 2012	
Launch price	50.00p per A Income unit	
	50.00p per A Accumulation unit	
	50.00p per L Income unit	
	50.00p per L Accumulation unit	
	50.00p per Z Income unit	
	50.00p per Z Accumulation unit	
Launch date	21 May 2012	
Launch price	50.00p per X Income (Quarterly) unit	
	Interim	Final
Accounting dates¹	15 December	15 June
Revenue allocation dates¹	15 February	15 August

1 X Income (Quarterly) units have additional accounting dates of 15 September and 15 March with additional associated revenue allocation dates of 15 November and 15 May.

Ongoing charges figure

	For the year to 15.6.19	For the year to 15.6.18
A Income units	1.44%	1.44%
A Accumulation units	1.44%	1.44%
L Income units	0.59%	0.59%
L Accumulation units	0.59%	0.59%
X Income (Quarterly) units¹	0.04%	0.04%
Z Income units	0.79%	0.79%
Z Accumulation units	0.79%	0.79%

1 The Annual management charge for X Income (Quarterly) units is invoiced directly to unitholders and is therefore not included in the Ongoing charges figure for that unit class.

Review of Investment Activities

From 15 June 2018 to 14 June 2019, the price of Z Accumulation units on a dealing price to dealing price basis rose 1.43%. In comparison, the Investment Association Sterling Strategic Bond Sector Average generated a total return of 4.18%¹.

Volatility returned forcefully in Q4 2018, followed by a significant and swift retracement in H1 2019. The final three months of 2018 exacted a heavy toll on riskier assets amid growing macro uncertainty, US-China trade tensions in particular, increasing divergence in the global economy, with Europe slowing, and concerns over the impact of monetary policy tightening in the US. The snapback in sentiment and risk assets from January 2019 onwards was strong. The key driver of this has been a pronounced and unexpected dovish shift from the Federal Reserve (Fed). Amid these changeable conditions, global bond markets nevertheless delivered a positive year overall. Both government and corporate bonds produced positive total returns.

The portfolio generated a positive net return over the timeframe but lagged the peer group. Corporate bond positioning was positive overall, despite declines in Q4 2018. We added to credit exposure, increasing investment grade and reducing high yield. We added notably in euro BBB real estate which benefits from solid supply/demand dynamics. Duration increased from 3.9 to 5.6 years, as growth concerns have increased and central banks turned decidedly more dovish. We added to our long position in Spanish government bonds.

Increasingly dovish messages from central banks have provided fresh and significant impetus to financial markets, overriding any ongoing concerns around the moderation in global growth. Markets have moved substantially, however, and arguably at an unsustainable rate. Although investors currently seem minded to overlook the weakening in global growth there is still scope for global factors or events to cause further volatility.

Fund Manager:

Patrick Vogel



Patrick Vogel joined Schroders as Head of Credit, Europe, in 2012

His investment career began in 1994 as a Trader for M.M. Warburg & Co

Patrick joined Schroders from L&G IM, where he was Head of European Credit since 2007

Prior to this, he was a Senior Portfolio Manager for Deutsche Bank from 2004, a Portfolio Manager for Frankfurt Trust from 2000, a Consultant for Patrick Vogel Bankberatung, an asset management and financial innovations consultancy, from 1999, and a Trader for BW Bank AG from 1996

Patrick holds a Dipl.-Kfm in Business Administration from the Johann Wolfgang Goethe-Universität, Frankfurt am Main

Schroders' Global Fixed Income Team

Patrick Vogel is the Lead Portfolio Manager for Schroder Strategic Bond Fund and is supported by the full Schroders Global Fixed Income Team, comprising over 100 investment professionals based around the world

¹ Source: Thomson Reuters Datastream.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

Risk Profile

Risk and reward indicator



The risk category is based upon the fund's risk target and there is no guarantee that the fund will achieve it.

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.

The fund is in this category because it can take higher risks in search of higher rewards and its price may rise and fall accordingly.

Specific risks

The fund invests in assets which are exposed to currencies other than sterling. Exchange rates may cause the value of overseas investments and the revenue from them to rise or fall.

The fund invests in less developed markets which are generally less well regulated than the UK. They may be less liquid and may have less reliable custody arrangements.

The fund invests in emerging markets and the Far East. This involves a high degree of risk and should be seen as long term in nature.

The fund is index unconstrained and has the potential for greater volatility.

More than 35% of the property of the fund may be invested in Government securities.

The fund may invest in higher yielding bonds (non-investment grade). The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode your capital sum than lower yielding bonds.

The fund may invest in a wide range of derivatives in order to meet its investment objectives and for leverage. The use of leverage can increase gains as well as losses and expose the fund to increased risk.

The fund may use derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the unit prices of the fund. The Manager employs a risk management process to allow the Manager to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process, the Manager conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

As a result of the Annual management charge being charged wholly to capital for all unit classes except for X Income (Quarterly) units, the distributable revenue of the fund may be higher, but the capital value of the fund may be eroded which may affect future performance.

For these reasons, the purchase of units should not normally be regarded as a short term investment.

Statement of the Manager's Responsibilities

The Financial Conduct Authority's Collective Investment Schemes sourcebook (COLL) 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 (SORP) for UK Authorised Funds issued by the Investment Management Association (IMA (now the Investment Association (IA))) 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 COLL, 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 15 June 2019 were signed on 8 August 2019 on behalf of the Manager by:

J.A. Walker-Hazell
Directors

P. Middleton

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 Strategic Bond Fund ('the fund') for the year ended 15 June 2019

The Trustee of the Schroder Strategic Bond 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
8 July 2019

Independent Auditors' Report to the Unitholders of Schroder Strategic Bond Fund

Report on the audit of the financial statements

Opinion

In our opinion, Schroder Strategic Bond Fund's financial statements:

- give a true and fair view of the financial position of the fund as at 15 June 2019 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 15 June 2019; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the notes to the financial statements, which include a description of the significant accounting policies, and the distribution tables.

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 Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the fund's business and the wider economy.

Independent Auditors' Report to the Unitholders of Schroder Strategic Bond Fund (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 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 7, 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 intends to wind up or terminate the fund, or has 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Independent Auditors' Report to the Unitholders of Schroder Strategic Bond Fund (continued)

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
8 August 2019

Comparative Tables

A Income units

Financial year to 15 June	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	52.26	52.19	50.90
Return before operating charges	1.10	2.21	3.99
Operating charges	(0.74)	(0.77)	(0.76)
Return after operating charges*	0.36	1.44	3.23
Distributions ¹	(1.69)	(1.37)	(1.94)
Closing net asset value	50.93	52.26	52.19
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	0.69	2.76	6.35
Other information			
Closing net asset value (£000's)	50	328	2,926
Closing number of units	98,023	627,969	5,606,833
Operating charges (%)	1.44	1.44	1.44
Prices			
Highest dealing price (p)	52.94	54.39	53.58
Lowest dealing price (p)	49.11	52.52	50.77

Comparative Tables (continued)

A Accumulation units			
Financial year to 15 June	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	63.76	62.07	58.57
Return before operating charges	1.41	2.61	4.62
Operating charges	(0.91)	(0.92)	(0.88)
Return after operating charges*	0.50	1.69	3.74
Distributions ¹	(2.08)	(1.65)	(2.25)
Retained distributions ¹	2.08	1.65	2.01
Closing net asset value	64.26	63.76	62.07
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	0.78	2.72	6.39
Other information			
Closing net asset value (£000's)	2,002	2,260	2,279
Closing number of units	3,114,977	3,544,852	3,671,537
Operating charges (%)	1.44	1.44	1.44
Prices			
Highest dealing price (p)	64.60	65.56	62.65
Lowest dealing price (p)	61.11	62.48	58.41

Comparative Tables (continued)

Financial year to 15 June	L Income units		
	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	54.80	54.33	52.58
Return before operating charges	1.17	2.30	4.14
Operating charges	(0.32)	(0.33)	(0.32)
Return after operating charges*	0.85	1.97	3.82
Distributions ¹	(1.83)	(1.50)	(2.07)
Closing net asset value	53.82	54.80	54.33
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	1.55	3.63	7.27
Other information			
Closing net asset value (£000's)	29,793	46,615	42,497
Closing number of units	55,358,167	85,063,441	78,222,280
Operating charges (%)	0.59	0.59	0.59
Prices			
Highest dealing price (p)	55.67	56.89	55.79
Lowest dealing price (p)	51.73	54.71	52.45

Comparative Tables (continued)

Financial year to 15 June	L Accumulation units		
	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	67.16	64.82	60.65
Return before operating charges	1.50	2.74	4.79
Operating charges	(0.40)	(0.40)	(0.37)
Return after operating charges*	1.10	2.34	4.42
Distributions ¹	(2.27)	(1.80)	(2.40)
Retained distributions ¹	2.27	1.80	2.15
Closing net asset value	68.26	67.16	64.82
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	1.64	3.61	7.29
Other information			
Closing net asset value (£000's)	10,962	10,688	9,628
Closing number of units	16,059,091	15,915,027	14,853,901
Operating charges (%)	0.59	0.59	0.59
Prices			
Highest dealing price (p)	68.51	68.83	65.41
Lowest dealing price (p)	64.67	65.26	60.50

Comparative Tables (continued)

Financial year to 15 June	X Income (Quarterly) units		
	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	57.39	56.61	54.51
Return before operating charges	1.24	2.39	4.29
Operating charges	(0.02)	(0.02)	(0.02)
Return after operating charges*	1.22	2.37	4.27
Distributions ¹	(1.95)	(1.59)	(2.17)
Closing net asset value	56.66	57.39	56.61
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	2.13	4.19	7.83
Other information			
Closing net asset value (£000's)	36,719	25,432	17,685
Closing number of units	64,799,926	44,316,118	31,240,571
Operating charges (%)	0.04	0.04	0.04
Prices			
Highest dealing price (p)	58.01	59.46	57.61
Lowest dealing price (p)	54.34	57.01	54.40

Comparative Tables (continued)

Z Income units			
Financial year to 15 June	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	54.46	54.04	52.36
Return before operating charges	1.17	2.29	4.11
Operating charges	(0.43)	(0.44)	(0.43)
Return after operating charges*	0.74	1.85	3.68
Distributions ¹	(1.77)	(1.43)	(2.00)
Closing net asset value	53.43	54.46	54.04
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	1.36	3.42	7.03
Other information			
Closing net asset value (£000's)	6,034	22,013	17,075
Closing number of units	11,294,644	40,421,042	31,594,091
Operating charges (%)	0.79	0.79	0.79
Prices			
Highest dealing price (p)	55.28	56.55	55.47
Lowest dealing price (p)	51.37	54.42	52.23

Comparative Tables (continued)

Z Accumulation units			
Financial year to 15 June	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	66.30	64.12	60.10
Return before operating charges	1.47	2.70	4.77
Operating charges	(0.52)	(0.52)	(0.50)
Return after operating charges*	0.95	2.18	4.27
Distributions ¹	(2.17)	(1.71)	(2.32)
Retained distributions ¹	2.17	1.71	2.07
Closing net asset value	67.25	66.30	64.12
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	1.43	3.40	7.10
Other information			
Closing net asset value (£000's)	15,025	39,324	31,721
Closing number of units	22,343,583	59,315,926	49,475,555
Operating charges (%)	0.79	0.79	0.79
Prices			
Highest dealing price (p)	67.49	67.99	64.70
Lowest dealing price (p)	63.77	64.55	59.95

1 These figures have been rounded to 2 decimal places.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

Portfolio Statement

	Holding at 15.6.19	Market Value £000's	% of net assets
Government Bonds 10.92% (10.11%)			
Argentina 0.00% (1.43%)			
Ecuador 0.00% (0.36%)			
France 1.02% (0.00%)			
France Government Bond OAT 1.5% 25/05/2050	€1,028,500	1,025	1.02
		1,025	1.02
Italy 2.09% (0.00%)			
Italy Buoni Poliennali Del Tesoro 3.1% 01/03/2040	€2,337,000	2,101	2.09
		2,101	2.09
Mexico 0.00% (0.64%)			
Romania 1.20% (0.00%)			
Romania Government Bond 2% 08/12/2026	€581,000	535	0.53
Romania Government Bond 4.125% 11/03/2039	€689,000	674	0.67
		1,209	1.20
Russia 0.00% (0.51%)			
South Africa 0.00% (1.29%)			
Spain 6.00% (5.88%)			
Spain Government Bond 1.45% 30/04/2029	€4,927,000	4,791	4.77
Spain Government Bond 2.7% 31/10/2048	€1,096,000	1,240	1.23
		6,031	6.00

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Turkey 0.61% (0.00%)			
Turkey Government Bond 4.125% 11/04/2023	€350,000	305	0.30
Turkey Government Bond 5.2% 16/02/2026	€360,000	309	0.31
		614	0.61
Government Bonds total			
		10,980	10.92
Corporate Bonds 88.52% (76.55%)			
Australia 0.04% (0.03%)			
Boral Finance 3% 01/11/2022	US\$55,000	43	0.04
		43	0.04
Belgium 0.55% (0.00%)			
Elia System Operator FRN 2.75% Perpetual	€600,000	550	0.55
		550	0.55
Bermuda 0.51% (0.45%)			
Digicel 6.75% 01/03/2023	US\$1,000,000	512	0.51
		512	0.51
Canada 0.41% (0.67%)			
Canadian Natural Resources 2.95% 15/01/2023	US\$145,000	115	0.11
Cenovus Energy 4.25% 15/04/2027	US\$49,000	39	0.04
Cenovus Energy 5.4% 15/06/2047	US\$118,000	94	0.09
Rogers Communications 4.35% 01/05/2049	US\$110,000	90	0.09
Enbridge FRN 6% 15/01/2077	US\$100,000	78	0.08
		416	0.41

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Cayman Islands 0.04% (0.00%)			
Avolon Holdings Funding 3.625% 01/05/2022	US\$52,000	41	0.04
		41	0.04
Chile 0.69% (0.53%)			
Cencosud 6.625% 12/02/2045	US\$833,000	688	0.69
		688	0.69
Czech Republic 0.67% (0.63%)			
EP Infrastructure 1.659% 26/04/2024	€321,000	281	0.28
Residomo SRO 3.375% 15/10/2024	€164,000	151	0.15
Ceske Drahly 1.5% 23/05/2026	€265,000	241	0.24
		673	0.67
Finland 0.15% (0.00%)			
SATO 1.375% 31/05/2024	€162,000	145	0.15
		145	0.15
France 8.29% (7.87%)			
Iliad 2.125% 05/12/2022	€500,000	459	0.46
Newco GB 8% 15/12/2022	€752,000	690	0.69
La Financiere Atalian 4% 15/05/2024	€1,000,000	606	0.60
Ingenico Group 1.625% 13/09/2024	€900,000	786	0.78
Louvre Bidco 4.25% 30/09/2024	€943,000	828	0.82
La Financiere Atalian 5.125% 15/05/2025	€1,470,000	891	0.89
La Financiere Atalian 6.625% 15/05/2025	£652,000	443	0.44
Altice France 7.375% 01/05/2026	US\$1,000,000	795	0.79
AXA FRN 5.453% Perpetual	£876,000	952	0.95
Caisse Nationale de Reassurance Mutuelle Agricole Groupama FRN 6.375% Perpetual	€1,300,000	1,318	1.31
Electricite de France FRN 4% Perpetual	€400,000	378	0.37

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
France (continued)			
Electricite de France FRN 5% Perpetual	€200,000	194	0.19
		8,340	8.29
Germany 2.73% (1.17%)			
Schaeffler 1.125% 26/03/2022	€127,000	115	0.11
Safari Verwaltungs 5.375% 30/11/2022	€1,857,000	1,447	1.44
Volkswagen Leasing 1% 16/02/2023	€962,000	866	0.86
Fresenius 2.875% 15/02/2029	€263,000	261	0.26
EnBW Energie Baden-Wuerttemberg FRN 3.625% 02/04/2076	€60,000	56	0.06
		2,745	2.73
Hong Kong 0.16% (0.00%)			
AIA Group 3.6% 09/04/2029	US\$200,000	164	0.16
		164	0.16
Iceland 0.43% (0.00%)			
Islandsbanki HF 1.125% 12/04/2022	€486,000	437	0.43
		437	0.43
Ireland 3.33% (1.96%)			
Virgin Media Receivables Financing Notes II DAC 5.75% 15/04/2023	£963,000	994	0.99
Bank of Ireland Group 4.5% 25/11/2023	US\$200,000	164	0.16
Gtlk Europe Capital DAC 5.95% 17/04/2025	US\$1,481,000	1,181	1.17
Bank of Ireland Group FRN 4.125% 19/09/2027	US\$404,000	310	0.31
ESB Finance DAC 1.125% 11/06/2030	€218,000	196	0.20
Roadster Finance DAC 2.375% 08/12/2032	€573,000	504	0.50
		3,349	3.33

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Italy 4.81% (6.37%)			
UniCredit FRN 6.497% 14/01/2022	US\$350,000	286	0.28
Almaviva-The Italian Innovation 7.25% 15/10/2022	€1,294,000	1,015	1.01
Banca Monte dei Paschi di Siena 2% 29/01/2024	€319,000	292	0.29
ERG 1.875% 11/04/2025	€538,000	485	0.48
Intesa Sanpaolo 5.71% 15/01/2026	US\$326,000	249	0.25
Superstrada Pedemontana Veneta 8% 30/06/2027	€674,000	580	0.58
Banca IFIS FRN 4.5% 17/10/2027	€1,452,000	1,079	1.07
Banca Monte dei Paschi di Siena FRN 5.375% 18/01/2028	€388,000	188	0.19
Superstrada Pedemontana Veneta, STEP 0% 30/06/2047	€800,000	666	0.66
		4,840	4.81
Jersey 0.98% (2.92%)			
AA Bond 4.875% 31/07/2043	£658,000	648	0.64
AA Bond 5.5% 31/07/2043	£400,000	337	0.34
		985	0.98
Luxembourg 4.20% (6.08%)			
Eurofins Scientific 3.375% 30/01/2023	€100,000	93	0.09
Medtronic Global Holdings 0.375% 07/03/2023	€311,000	280	0.28
Odyssey Europe Holdco 8% 15/05/2023	€824,000	701	0.70
Garfunkelux Holdco 2 11% 01/11/2023	£500,000	404	0.40
Allergan Funding 1.5% 15/11/2023	€414,000	380	0.38
Blackstone Property Partners Europe Holdings 2% 15/02/2024	€697,000	644	0.64
Hercule Debtco 6.75% 30/06/2024	€391,000	326	0.32
Hidrovias International Finance 5.95% 24/01/2025	US\$313,000	246	0.25

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Luxembourg (continued)			
Ingersoll-Rand Luxembourg Finance 3.5% 21/03/2026	US\$50,000	40	0.04
Medtronic Global Holdings 1.125% 07/03/2027	€295,000	272	0.27
Matterhorn Telecom 4% 15/11/2027	€951,000	840	0.83
		4,226	4.20
Mexico 1.30% (2.07%)			
Petroleos Mexicanos 3.75% 16/11/2025	£1,437,000	1,311	1.30
		1,311	1.30
Netherlands 8.21% (7.27%)			
Teva Pharmaceutical Finance Netherlands III 2.2% 21/07/2021	US\$200,000	149	0.15
Enel Finance International 2.875% 25/05/2022	US\$200,000	157	0.16
IPD 3 4.5% 15/07/2022	€543,000	495	0.49
Promontoria Holding 264 6.75% 15/08/2023	€505,000	432	0.43
LeasePlan 1.375% 07/03/2024	€100,000	91	0.09
Mylan 2.25% 22/11/2024	€366,000	330	0.33
ING Groep 3% 18/02/2026	£100,000	104	0.10
Vesteda Finance 2% 10/07/2026	€697,000	658	0.66
Vesteda Finance 1.5% 24/05/2027	€432,000	394	0.39
Koninklijke KPN 5.75% 17/09/2029	£1,239,000	1,430	1.42
Petrobras Global Finance 5.375% 01/10/2029	£1,500,000	1,541	1.53
Telefonica Europe FRN 2.625% Perpetual	€1,600,000	1,409	1.40
Volkswagen International Finance FRN 3.375% Perpetual	€1,000,000	895	0.89
Vonovia Finance FRN 4% Perpetual	€100,000	95	0.09
Cooperatieve Rabobank FRN 11% Perpetual	US\$95,000	76	0.08
		8,256	8.21

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Norway 0.38% (0.40%)			
B2Holding FRN 4.25% 14/11/2022	€443,000	383	0.38
		383	0.38
Peru 0.00% (0.10%)			
Spain 1.87% (0.91%)			
Banco Santander 3.125% 23/02/2023	US\$200,000	159	0.16
Banco de Sabadell 1.75% 10/05/2024	€300,000	267	0.26
Naviera Armas FRN 4.25% 15/11/2024	€505,000	350	0.35
Ibercaja Banco FRN 5% 28/07/2025	€500,000	458	0.46
Abertis Infraestructuras 2.375% 27/09/2027	€200,000	187	0.18
Bankia FRN 3.75% 15/02/2029	€500,000	463	0.46
		1,884	1.87
Supranational 0.05% (0.00%)			
NXP 3.875% 18/06/2026	US\$58,000	46	0.05
		46	0.05
Sweden 2.98% (0.51%)			
Heimstaden Bostad 1.75% 07/12/2021	€1,054,000	963	0.96
Intrum 2.75% 15/07/2022	€471,000	419	0.41
Heimstaden Bostad 2.125% 05/09/2023	€1,266,000	1,164	1.16
Castellum 2.125% 20/11/2023	€317,000	296	0.29
Akelius Residential Property 1.75% 07/02/2025	€174,000	159	0.16
		3,001	2.98
Switzerland 0.00% (0.43%)			
United Kingdom 28.77% (25.95%)			
Jerrold Finco 6.25% 15/09/2021	£184,000	187	0.19
Mclaren Finance 5% 01/08/2022	£330,000	315	0.31

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
United Kingdom (continued)			
Shop Direct Funding 7.75% 15/11/2022	£671,000	617	0.61
Barclays FRN 4.61% 15/02/2023	US\$200,000	163	0.16
HSBC Holdings FRN 3.262% 13/03/2023	US\$250,000	200	0.20
Anglian Water Osprey Financing 5% 30/04/2023	£400,000	401	0.40
Provident Financial 7% 04/06/2023	£276,000	280	0.28
Royal Bank of Scotland Group 3.875% 12/09/2023	US\$250,000	201	0.20
Barclays FRN 2.375% 06/10/2023	£1,147,000	1,143	1.14
EnQuest FRN 7% 15/10/2023	US\$1,014,819	625	0.62
National Express Group 2.5% 11/11/2023	£850,000	859	0.85
Jerrold Finco 6.125% 15/01/2024	£859,000	870	0.86
EI Group 7.5% 15/03/2024	£670,000	698	0.69
Saga 3.375% 12/05/2024	£2,050,000	1,712	1.70
Viridian Group FinanceCo 4.75% 15/09/2024	£1,650,000	1,621	1.61
Iceland Bondco 4.625% 15/03/2025	£1,905,000	1,697	1.69
Royal Bank of Scotland Group FRN 4.269% 22/03/2025	US\$492,000	399	0.40
Yorkshire Building Society FRN 3% 18/04/2025	£395,000	400	0.40
Tesco Corporate Treasury Services 2.5% 02/05/2025	£261,000	261	0.26
Barclays FRN 3.932% 07/05/2025	US\$401,000	319	0.32
Next Group 3% 26/08/2025	£101,000	103	0.10
Anglian Water Osprey Financing 4% 08/03/2026	£1,027,000	936	0.93
CYBG FRN 4% 25/09/2026	£1,487,000	1,486	1.48
Western Power Distribution 3.5% 16/10/2026	£2,412,000	2,503	2.49
Sainsbury's Bank FRN 6% 23/11/2027	£601,000	611	0.61
Metro Bank FRN 5.5% 26/06/2028	£2,721,000	2,307	2.29
Investec Bank FRN 4.25% 24/07/2028	£700,000	704	0.70

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
United Kingdom (continued)			
British Telecommunications 3.125% 21/11/2031	£1,011,000	1,045	1.04
Notting Hill Housing Trust 3.75% 20/12/2032	£1,000,000	1,112	1.11
Mitchells & Butlers Finance FRN 2.968% 15/06/2036	£1,000,000	700	0.70
RL Finance Bonds No. 2 FRN 6.125% 30/11/2043	£606,000	678	0.67
Channel Link Enterprises Finance FRN 1.761% 30/06/2050	€634,000	566	0.56
Channel Link Enterprises Finance FRN 2.706% 30/06/2050	€413,000	381	0.38
Vodafone Group FRN 6.25% 03/10/2078	US\$1,023,000	820	0.82
Aviva FRN 5.902% Perpetual	£593,000	607	0.60
Barclays Bank FRN 6.86% Perpetual	US\$813,000	717	0.71
SSE FRN 2.375% Perpetual	€770,000	691	0.69
		28,935	28.77
United States of America 16.97% (10.23%)			
Pyxus International 9.875% 15/07/2021	US\$750,000	507	0.50
Cigna 3.4% 17/09/2021	US\$73,000	59	0.06
Constellation Brands FRN 3.218% 15/11/2021	US\$54,000	43	0.04
SunTrust Banks 2.7% 27/01/2022	US\$133,000	105	0.11
Devon Energy 3.25% 15/05/2022	US\$200,000	161	0.16
Sherwin-Williams 2.75% 01/06/2022	US\$100,000	79	0.08
General Motors Financial 3.15% 30/06/2022	US\$83,000	66	0.07
Regions Financial 2.75% 14/08/2022	US\$210,000	166	0.17
Broadcom 3.125% 15/10/2022	US\$192,000	151	0.15
Constellation Brands 3.2% 15/02/2023	US\$98,000	79	0.08
Newell Brands 3.85% 01/04/2023	US\$60,000	48	0.05
Keurig Dr Pepper 4.057% 25/05/2023	US\$160,000	132	0.13

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
United States of America (continued)			
General Motors Financial 4.15% 19/06/2023	US\$120,000	97	0.10
Comerica 3.7% 31/07/2023	US\$65,000	53	0.05
DuPont de Nemours 4.205% 15/11/2023	US\$24,000	20	0.02
Mosaic 4.25% 15/11/2023	US\$62,000	52	0.05
Marathon Petroleum 4.75% 15/12/2023	US\$50,000	42	0.04
Alexandria Real Estate Equities REIT 4% 15/01/2024	US\$15,000	13	0.01
Fifth Third Bancorp 3.65% 25/01/2024	US\$154,000	127	0.13
Altria Group 3.8% 14/02/2024	US\$63,000	51	0.05
Boston Scientific 3.45% 01/03/2024	US\$79,000	65	0.06
Welltower REIT 3.625% 15/03/2024	US\$85,000	69	0.07
Synchrony Financial 4.375% 19/03/2024	US\$31,000	25	0.03
JPMorgan Chase FRN 3.322% 23/04/2024	US\$213,000	167	0.17
Conagra Brands 4.3% 01/05/2024	US\$214,000	179	0.18
Citigroup FRN 4.044% 01/06/2024	US\$250,000	207	0.21
Becton Dickinson and 3.363% 06/06/2024	US\$225,000	182	0.18
Santander Holdings USA 3.5% 07/06/2024	US\$54,000	43	0.04
Hess 3.5% 15/07/2024	US\$39,000	31	0.03
Bristol-Myers Squibb 2.9% 26/07/2024	US\$42,000	34	0.03
Cox Communications 3.15% 15/08/2024	US\$96,000	76	0.08
BAT Capital 3.222% 15/08/2024	US\$256,000	202	0.20
BB&T 2.85% 26/10/2024	US\$305,000	244	0.24
Vornado Realty REIT 3.5% 15/01/2025	US\$75,000	60	0.06
Campbell Soup 3.95% 15/03/2025	US\$250,000	204	0.20
Energy Transfer Operating 4.05% 15/03/2025	US\$249,000	202	0.20
Mylan 2.125% 23/05/2025	€509,000	447	0.44
American Tower REIT 4% 01/06/2025	US\$160,000	132	0.13
Kinder Morgan 4.3% 01/06/2025	US\$300,000	250	0.25

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
United States of America (continued)			
Charter Communications Operating 4.908% 23/07/2025	US\$59,000	50	0.05
United Technologies 3.95% 16/08/2025	US\$67,000	57	0.06
Williams 4% 15/09/2025	US\$245,000	202	0.20
Bayer US Finance II 4.25% 15/12/2025	US\$200,000	164	0.16
Digital Euro Finco REIT 2.5% 16/01/2026	€514,000	492	0.49
Discover Financial Services 4.5% 30/01/2026	US\$198,000	165	0.16
AT&T 4.125% 17/02/2026	US\$25,000	21	0.02
Tyson Foods 4% 01/03/2026	US\$104,000	86	0.09
Anadarko Petroleum 5.55% 15/03/2026	US\$150,000	131	0.13
Newell Brands 4.2% 01/04/2026	US\$55,000	43	0.04
Bank of America 3.5% 19/04/2026	US\$148,000	120	0.12
American Express 3.125% 20/05/2026	US\$178,000	142	0.14
Bristol-Myers Squibb 3.2% 15/06/2026	US\$96,000	78	0.08
Crown Castle International REIT 3.7% 15/06/2026	US\$212,000	170	0.17
Fiserv 3.2% 01/07/2026	US\$147,000	117	0.12
Dell International 4.9% 01/10/2026	US\$78,000	63	0.06
Roper Technologies 3.8% 15/12/2026	US\$100,000	81	0.08
Hess 4.3% 01/04/2027	US\$43,000	34	0.03
Keysight Technologies 4.6% 06/04/2027	US\$105,000	88	0.09
Bank of America FRN 3.559% 23/04/2027	US\$383,000	311	0.31
Digital Realty Trust REIT 3.7% 15/08/2027	US\$206,000	166	0.17
Manufacturers & Traders Trust 3.4% 17/08/2027	US\$250,000	206	0.21
Concho Resources 3.75% 01/10/2027	US\$68,000	55	0.05
EQT 3.9% 01/10/2027	US\$150,000	112	0.11

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
United States of America (continued)			
Citigroup FRN 3.887% 10/01/2028	US\$155,000	127	0.13
Noble Energy 3.85% 15/01/2028	US\$127,000	100	0.10
Constellation Brands 3.6% 15/02/2028	US\$51,000	41	0.04
AT&T 4.1% 15/02/2028	US\$258,000	212	0.21
Motorola Solutions 4.6% 23/02/2028	US\$172,000	141	0.14
Sabine Pass Liquefaction 4.2% 15/03/2028	US\$190,000	154	0.15
Anheuser-Busch InBev Worldwide 4% 13/04/2028	US\$18,000	15	0.02
AXA Equitable Holdings 4.35% 20/04/2028	US\$28,000	23	0.02
Camden Property Trust REIT 4.1% 15/10/2028	US\$15,000	13	0.01
Comcast 4.15% 15/10/2028	US\$72,000	62	0.06
Conagra Brands 4.85% 01/11/2028	US\$5,000	4	0.00
Southern California Edison 4.2% 01/03/2029	US\$256,000	211	0.21
Merck 3.4% 07/03/2029	US\$36,000	30	0.03
Union Electric 3.5% 15/03/2029	US\$105,000	87	0.09
ONEOK 4.35% 15/03/2029	US\$100,000	83	0.08
Valero Energy 4% 01/04/2029	US\$80,000	64	0.06
PNC Financial Services Group 3.45% 23/04/2029	US\$207,000	169	0.17
Discovery Communications 4.125% 15/05/2029	US\$146,000	117	0.12
Fidelity National Information Services 3.75% 21/05/2029	US\$66,000	54	0.05
Mastercard 2.95% 01/06/2029	US\$200,000	161	0.16
Boston Properties REIT 3.4% 21/06/2029	US\$138,000	109	0.11
Camden Property Trust REIT 3.15% 01/07/2029	US\$39,000	31	0.03
Bristol-Myers Squibb 3.4% 26/07/2029	US\$227,000	185	0.18
AT&T 4.375% 14/09/2029	£612,000	696	0.69
Dell International 5.3% 01/10/2029	US\$101,000	82	0.08
Netflix 3.875% 15/11/2029	€642,000	597	0.59

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
United States of America (continued)			
Morgan Stanley FRN 4.431% 23/01/2030	US\$360,000	308	0.31
AT&T 4.3% 15/02/2030	US\$72,000	59	0.06
JPMorgan Chase FRN 3.702% 06/05/2030	US\$91,000	74	0.07
Verizon Communications 4.272% 15/01/2036	US\$137,000	113	0.11
Sempra Energy 3.8% 01/02/2038	US\$190,000	142	0.14
MPLX 4.5% 15/04/2038	US\$233,000	176	0.18
Comcast 4.6% 15/10/2038	US\$110,000	96	0.10
Texas Instruments 3.875% 15/03/2039	US\$90,000	75	0.08
Dow Chemical 9.4% 15/05/2039	US\$27,000	33	0.03
HCA 5.125% 15/06/2039	US\$45,000	36	0.04
Barrick North America Finance 5.7% 30/05/2041	US\$300,000	271	0.27
Anheuser-Busch InBev Worldwide 3.75% 15/07/2042	US\$58,000	41	0.04
General Electric 4.125% 09/10/2042	US\$129,000	91	0.09
Verizon Communications 3.85% 01/11/2042	US\$173,000	134	0.13
AT&T 4.3% 15/12/2042	US\$61,000	46	0.05
Anadarko Petroleum 4.5% 15/07/2044	US\$15,000	12	0.01
FedEx 4.1% 01/02/2045	US\$58,000	42	0.04
Altria Group 3.875% 16/09/2046	US\$43,000	29	0.03
Kroger 3.875% 15/10/2046	US\$73,000	50	0.05
J.P. Morgan Mortgage Trust FRN, Series 2016-3 3.5% 25/10/2046	US\$65,998	53	0.05
Kroger 4.45% 01/02/2047	US\$194,000	144	0.14
First Republic Bank 4.625% 13/02/2047	US\$250,000	208	0.21
Prudential Financial FRN 4.5% 15/09/2047	US\$150,000	116	0.12
Flagstar Mortgage Trust FRN, Series 2017-2 3.5% 25/10/2047	US\$101,146	81	0.08
Voya Financial FRN 4.7% 23/01/2048	US\$47,000	33	0.03
FedEx 4.05% 15/02/2048	US\$32,000	23	0.02

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
United States of America (continued)			
CVS Health 5.05% 25/03/2048	US\$155,000	126	0.13
Marathon Petroleum 4.5% 01/04/2048	US\$45,000	34	0.03
AXA Equitable Holdings 5% 20/04/2048	US\$30,000	24	0.02
Kansas City Southern 4.7% 01/05/2048	US\$100,000	85	0.08
Comcast 4.7% 15/10/2048	US\$46,000	41	0.04
Corning 5.35% 15/11/2048	US\$130,000	120	0.12
J.P. Morgan Mortgage Trust FRN, Series 2017-4 3.5% 25/11/2048	US\$176,872	142	0.14
Berkshire Hathaway Energy 4.45% 15/01/2049	US\$99,000	86	0.09
Towd Point Mortgage Trust FRN, Series 2017-1 2.75% 25/10/2056	US\$80,953	64	0.06
Towd Point Mortgage Trust FRN, Series 2017-6 2.75% 25/10/2057	US\$77,942	62	0.06
Liberty Mutual Group FRN 3.625% 23/05/2059	€631,000	565	0.56
MetLife 6.4% 15/12/2066	US\$80,000	70	0.07
Enterprise Products Operating FRN 5.375% 15/02/2078	US\$430,000	307	0.31
Energy Transfer Operating FRN 6.25% Perpetual	US\$1,271,000	914	0.91
M&T Bank FRN 5.125% Perpetual	US\$166,000	135	0.13
Progressive FRN 5.375% Perpetual	US\$208,000	166	0.17
State Street FRN 5.625% Perpetual	US\$65,000	52	0.05
		17,071	16.97
Corporate Bonds total		89,041	88.52
Swaps (1.16)% ((0.35)%)			
Credit Default Swap Morgan Stanley Buy Michelin Luxembourg 2.75% 20/06/2019 20/09/2019	EUR 1,000,000	(4)	0.00
Credit Default Swap Citigroup Global Markets Buy Cable & Wireless International Finance 8.625% 25/03/2019 20/12/2019	EUR 440,000	(14)	(0.02)

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Swaps (continued)			
Credit Default Swap Morgan Stanley Buy Cable & Wireless International Finance 8.625% 25/03/2019 20/12/2019	EUR 170,000	(6)	(0.01)
Credit Default Swap Bank of America Buy Peugeot 7.375% 06/03/2018 20/12/2020	EUR 535,000	(40)	(0.04)
Credit Default Swap Barclays Buy Wendel 3.75% 21/01/2021 20/06/2021	EUR 1,000,000	(97)	(0.10)
Credit Default Swap Barclays Buy Peugeot 7.375% 06/03/2018 20/06/2021	EUR 500,000	(47)	(0.05)
Credit Default Swap Citigroup Buy Standard Chartered Bank 5.875% 26/09/2017 20/06/2022	EUR 2,050,000	(39)	(0.04)
Credit Default Swap Citigroup Buy Wendel 3.75% 21/01/2021 20/12/2022	EUR 433,574	(66)	(0.07)
Credit Default Swap Credit Suisse Buy Wendel 3.75% 21/01/2021 20/12/2022	EUR 1,930,426	(294)	(0.30)
Credit Default Swap Goldman Sachs Buy CNH Industrial Finance Europe 2.75% 18/03/2019 20/06/2023	EUR 501,776	(80)	(0.08)
Credit Default Swap J.P. Morgan Securities Buy CNH Industrial Finance Europe 2.75% 18/03/2019 20/06/2023	EUR 400,333	(64)	(0.06)
Credit Default Swap Citigroup Buy thyssenkrupp 3.125% 25/10/2019 20/06/2023	EUR 2,396,000	54	0.06
Credit Default Swap Barclays Buy Credit Suisse Group Finance Guernsey 0% 29/07/2019 20/12/2023	EUR 211,381	(4)	0.00
Credit Default Swap BNP Paribas Buy Credit Suisse Group Finance Guernsey 0% 29/07/2019 20/12/2023	EUR 145,874	(3)	0.00
Credit Default Swap HSBC Buy Credit Suisse Group Finance Guernsey 0% 29/07/2019 20/12/2023	EUR 533,902	(10)	0.00
Credit Default Swap Morgan Stanley Buy CDX.NA.IG.31-V1 20/12/2023	USD 3,111,393	(54)	(0.05)

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Swaps (continued)			
Credit Default Swap Morgan Stanley Buy ITRAXX.EUROPE.MAIN.30-V2 20/12/2023	EUR 1,469,488	(30)	(0.03)
Credit Default Swap BNP Paribas Buy LANXESS 0.25% 07/10/2021 20/12/2023	EUR 982,906	(14)	(0.01)
Credit Default Swap Citigroup Global Markets Buy LANXESS 0.25% 07/10/2021 20/12/2023	EUR 798,611	(12)	(0.01)
Credit Default Swap BNP Paribas Buy Vodafone Group 1% 11/09/2020 20/12/2023	EUR 250,836	(5)	(0.01)
Credit Default Swap Goldman Sachs Buy Vodafone Group 1% 11/09/2020 20/12/2023	EUR 260,417	(5)	(0.01)
Credit Default Swap Citigroup Global Markets Buy BASF 2% 05/12/2022 20/12/2023	EUR 771,513	(25)	(0.03)
Credit Default Swap Goldman Sachs Buy HSBC Holding 6% 10/06/2019 20/12/2023	EUR 1,134,033	(5)	0.00
Credit Default Swap Morgan Stanley Buy HSBC Holding 6% 10/06/2019 20/12/2023	EUR 249,206	(1)	0.00
Credit Default Swap BNP Paribas Buy Daimler 0.625% 05/03/2020 20/06/2024	EUR 604,884	(10)	(0.01)
Credit Default Swap Citigroup Global Markets Buy Daimler 0.625% 05/03/2020 20/06/2024	EUR 744,379	(12)	(0.01)
Credit Default Swap HSBC Buy Daimler 0.625% 05/03/2020 20/06/2024	EUR 417,818	(6)	0.00
Credit Default Swap Citigroup Global Markets Buy BNP Paribas 5% 28/06/2016 20/06/2024	EUR 207,003	1	0.00
Credit Default Swap Goldman Sachs Buy BNP Paribas 5% 28/06/2016 20/06/2024	EUR 233,800	1	0.00
Credit Default Swap HSBC Buy BNP Paribas 5% 28/06/2016 20/06/2024	EUR 247,269	1	0.00
Credit Default Swap Citigroup Buy Societe Generale 5.875% 21/12/2016 20/06/2024	EUR 310,688	3	0.00

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Swaps (continued)			
Credit Default Swap J.P. Morgan Sell Cerved Group 8% 15/01/2021 20/09/2019	EUR 1,500,000	7	0.01
Credit Default Swap Barclays Sell SUPERVALU 6.75% 01/06/2021 20/06/2023	USD 144,737	5	0.00
Credit Default Swap Goldman Sachs Sell SUPERVALU 6.75% 01/06/2021 20/06/2023	USD 855,263	34	0.04
Inflation Rate Swap Morgan Stanley Pay fixed 2.3% Receive floating USCPI 1 month 30/07/2023	USD 3,817,670	(96)	(0.10)
Inflation Rate Swap Morgan Stanley Pay fixed 2.123% Receive floating USCPI 1 month 05/02/2029	USD 1,281,033	(28)	(0.03)
Interest Rate Swap Morgan Stanley Pay fixed 1.45% Receive floating LIBOR 6 month 08/01/2033	GBP 1,031,250	(42)	(0.04)
Interest Rate Swap Morgan Stanley Pay fixed 1.61% Receive floating LIBOR 6 month 13/10/2047	GBP 1,726,036	(165)	(0.16)
Swaps total		(1,172)	(1.16)
Swaptions 0.00% (0.84%)			
Forward Foreign Currency Contracts (0.03)% (0.21%)			
Buy CAD 839,817 Sell GBP 499,055 11/07/2019	CAD 839,817	(2)	0.00
Buy EUR 1,687,320 Sell GBP 1,497,927 11/07/2019	EUR 1,687,320	6	0.01
Sell AUD 515,387 Buy GBP 282,441 11/07/2019	AUD (515,387)	2	0.00
Sell CAD 651,937 Buy GBP 387,409 11/07/2019	CAD (651,937)	1	0.00
Sell EUR 47,420,216 Buy GBP 42,330,983 11/07/2019	EUR (47,420,216)	43	0.04
Sell EUR 1,353,996 Buy GBP 1,206,164 11/07/2019	EUR (1,353,996)	(1)	0.00

Portfolio Statement (continued)

	Holding at 15.6.19	Market Value £000's	% of net assets
Forward Foreign Currency Contracts (continued)			
Sell USD 30,241,400 Buy GBP 23,812,850 11/07/2019	USD (30,241,400)	(83)	(0.08)
Forward Foreign Currency Contracts total		(34)	(0.03)
Futures 0.16% ((0.04)%)			
Australia 3 Year Bond September 2019	(162)	(4)	(0.01)
Australia 10 Year Bond September 2019	46	9	0.01
Euro-BTP September 2019	(34)	(28)	(0.03)
Euro-Bund September 2019	(8)	(14)	(0.02)
Euro-Buxl 30 Year Bond September 2019	1	3	0.00
Euro-OAT September 2019	(20)	(5)	0.00
Long Gilt September 2019	18	41	0.04
US 2 Year Note September 2019	10	6	0.00
US 5 Year Note September 2019	64	55	0.06
US 10 Year Note September 2019	123	218	0.21
US 10 Year Ultra Bond September 2019	33	57	0.06
US Long Bond September 2019	11	27	0.03
US Ultra Bond September 2019	(12)	(43)	(0.04)
3 Month Eurodollar September 2019	(130)	(20)	(0.02)
3 Month Eurodollar December 2019	(134)	(133)	(0.13)
Futures total		169	0.16
Portfolio of investments		98,984	98.41
Net other assets		1,601	1.59
Net assets attributable to unitholders		100,585	100.00

The comparative percentage figures in brackets are as at 15 June 2018.

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

Summary of Portfolio Transactions

Largest purchases

For the year ended 15 June 2019	Cost £000's
Portugal Obrigacoes do Tesouro OT Bond 1.95% 15/06/2029	5,715
Spain Government Bond 1.45% 30/04/2029	5,060
UK Treasury 1.75% 22/07/2057	5,035
France Government Bond OAT 1.5% 25/05/2050	4,323
Spain Government Bond 1.4% 30/04/2028	3,942
Metro Bank FRN 5.5% 26/06/2028	3,221
Italy Buoni Poliennali Del Tesoro 3.1% 01/03/2040	2,069
UK Treasury 1.5% 22/07/2047	1,675
South Africa Government Bond 10.5% 21/12/2026	1,660
CYBG FRN 4% 25/09/2026	1,481

Largest sales

For the year ended 15 June 2019	Proceeds £000's
Spain Government Bond 1.4% 30/04/2028	8,667
Portugal Obrigacoes do Tesouro OT Bond 1.95% 15/06/2029	5,726
UK Treasury 1.75% 22/07/2057	5,001
Spain Government Bond 1.45% 31/10/2027	3,932
France Government Bond OAT 1.5% 25/05/2050	3,530
Liberty Living Finance 3.375% 28/11/2029	2,525
Barclays 3.125% 17/01/2024	2,355
Gazprom 4.25% 06/04/2024	2,057
WM Treasury 2 3.25% 20/10/2048	2,051
London & Quadrant Housing Trust 2.625% 28/02/2028	1,896

Statement of Total Return

For the year ended 15 June 2019

		2019	2018
	Notes	£000's	£000's
Income			
Net capital (losses)/gains	2	(2,575)	1,532
Revenue	3	4,601	3,759
Expenses	4	(702)	(838)
Net revenue before taxation		3,899	2,921
Taxation	5	0	(8)
Net revenue after taxation		3,899	2,913
Total return before distributions		1,324	4,445
Distributions	6	(4,460)	(3,578)
Change in net assets attributable to unitholders from investment activities		(3,136)	867

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 15 June 2019

	2019		2018	
	£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders		146,660		123,811
Amounts receivable on issue of units	30,693		35,446	
Amounts payable on cancellation of units	(75,199)		(14,795)	
		(44,506)		20,651
Dilution adjustment		234		24
Change in net assets attributable to unitholders from investment activities		(3,136)		867
Retained distribution on Accumulation units		1,333		1,307
Closing net assets attributable to unitholders		100,585		146,660

Balance Sheet

As at 15 June 2019

		2019	2018
	Notes	£000's	£000's
Assets			
Investments		100,595	130,187
Current assets			
Debtors	8	3,752	3,303
Cash and bank balances	9	4,018	19,302
Total assets		108,365	152,792
Liabilities			
Investment liabilities		(1,611)	(2,125)
Creditors			
Bank overdrafts	10	(1,771)	(764)
Distributions payable		(816)	(990)
Other creditors	11	(3,582)	(2,253)
Total liabilities		(7,780)	(6,132)
Net assets attributable to unitholders			
		100,585	146,660

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 SORP for UK Authorised Funds issued by the IMA 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 and 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.

For A Income units, A Accumulation units, L Income units, L Accumulation units, Z Income units and Z Accumulation units the Annual management charge is initially charged to revenue but ultimately borne by the capital of the fund and is accrued within the unit price. This charge is invoiced directly to X Income (Quarterly) unitholders.

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. This revenue is distributed annually on 15 August to Income unitholders. An interim distribution based on available revenue is distributed on 15 February to Income unitholders. An interim distribution and two quarterly distributions, based on available revenue at the half year, are distributed on 15 February, 15 May and 15 November respectively to X Income (Quarterly) unitholders. For Accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

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

Listed investments of the fund have been valued at market value at 18:00 on the balance sheet date, net of any accrued interest which is included in the balance sheet as a revenue related item. Market value is defined by the SORP as fair value which generally is the bid value of each security and the offer value for short positions.

Notes to the Accounts (continued)

Forward foreign currency contracts

Open forward foreign currency contracts are shown in the Portfolio Statement at market value and the net (losses)/gains are reflected under Net capital (losses)/gains in the Notes to the Accounts.

Futures contracts

Open futures contracts are shown in the Portfolio Statement at market value and the net (losses)/gains are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts. Other returns are included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts.

Credit default swaps

Open credit default swaps are shown in the Portfolio Statement at market value and are priced at fair value using valuation models and data sourced from market data providers. The upfront fees received on a mark to market basis are split between capital and revenue as appropriate. The capital element is reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts and the revenue element is reflected within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts. For sell protections, periodic premiums are accounted for on an accruals basis and are included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts.

Interest rate swaps

Open interest rate swaps are shown in the Portfolio Statement and are priced at fair value using valuation models and data sourced from market data providers. Net (losses)/gains are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts. Interest receivable or payable on interest rate swaps is accounted for on an accruals basis and is included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts.

Inflation linked swaps

Open inflation linked swaps are shown in the Portfolio Statement and are priced at fair value using valuation models and data sourced from market data providers. Net (losses)/gains are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts.

Options contracts

Net (losses)/gains are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts.

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 and the net gains/(losses) are reflected under Net capital (losses)/gains in the Notes to the Accounts.

Notes to the Accounts (continued)

2 Net capital (losses)/gains

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

	2019 £000's	2018 £000's
Non-derivative securities	2,039	(5,714)
Derivative contracts	(2,078)	3,992
Forward foreign currency contracts	(3,977)	4,923
Foreign currency gains/(losses)	1,465	(1,655)
Transaction costs	(24)	(14)
Net capital (losses)/gains	(2,575)	1,532

3 Revenue

	2019 £000's	2018 £000's
Interest on debt securities	5,619	5,798
Bank interest	29	8
Net revenue return from derivative contracts	(1,047)	(2,047)
Total revenue	4,601	3,759

4 Expenses

	2019 £000's	2018 £000's
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	561	665
Administration charge	98	119
	659	784
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	14	15
Safe custody fees	4	7
Interest payable	11	14
	29	36
Other expenses:		
Audit fee	13	16
Professional fee	1	2
	14	18
Total expenses	702	838

Notes to the Accounts (continued)

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

	2019 £000's	2018 £000's
Overseas withholding tax	0	8
Total current tax (Note 5(b))	0	8

(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% (2018 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2019 £000's	2018 £000's
Net revenue before taxation	3,899	2,921
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	780	584
Effects of:		
Interest distributions deductible for tax purposes	(780)	(584)
Irrecoverable overseas withholding tax	0	8
Current tax charge for the year (Note 5(a))	0	8

Notes to the Accounts (continued)

6 Distributions

Distributions

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

	2019 £000's	2018 £000's
Quarterly Interest distribution	301	137
Interim Interest distribution	2,336	1,726
Quarterly Interest distribution	243	202
Final Interest distribution	1,209	1,640
	4,089	3,705
Add: Revenue deducted on cancellation of units	417	103
Deduct: Revenue received on issue of units	(46)	(230)
Distributions	4,460	3,578
Net revenue after taxation	3,899	2,913
Annual management charge taken to capital	561	665
Distributions	4,460	3,578

Details of the distributions per unit are set out in the Distribution Table on pages 56 to 58.

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	2019		2018	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Level 1: Quoted prices	416	(247)	310	(372)
Level 2: Observable market data	100,179	(1,364)	129,877	(1,753)
Level 3: Unobservable data	0	0	0	0
Total	100,595	(1,611)	130,187	(2,125)

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.

Notes to the Accounts (continued)

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

	2019 £000's	2018 £000's
Amounts receivable for issue of units	169	1,347
Sales awaiting settlement	2,059	159
Accrued revenue	1,524	1,797
Total debtors	3,752	3,303

9 Cash and bank balances

	2019 £000's	2018 £000's
Cash and bank balances	643	12,228
Amounts held at futures clearing houses and brokers	3,375	7,074
Total cash and bank balances	4,018	19,302

10 Bank overdrafts

	2019 £000's	2018 £000's
Amounts overdrawn at futures clearing houses and brokers	1,771	764
Total bank overdrafts	1,771	764

Notes to the Accounts (continued)

11 Other creditors

	2019 £000's	2018 £000's
Amounts payable for cancellation of units	88	108
Purchases awaiting settlement	3,410	2,087
Amounts payable on derivative contracts	4	0
Accrued expenses	80	58
Total other creditors	3,582	2,253

12 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2018 – Nil).

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 within Accrued expenses under Other creditors in the Notes to the Accounts.

The Manager acts as principal on all transactions of units in the fund. The aggregate monies received 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 disclosed within Accrued revenue under Debtors and within Accrued expenses under 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 37.17% (2018 – 18.10%).

14 Unit classes

The fund currently has seven unit classes: A Income units, A Accumulation units, L Income units, L Accumulation units, X Income (Quarterly) units, Z Income units and Z Accumulation units. 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%
L Income units	0.50%
L Accumulation units	0.50%
Z Income units	0.60%
Z Accumulation units	0.60%

The expense is invoiced directly to X Income (Quarterly) unitholders, resulting in a 0% charge to the fund.

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 Tables on pages 12 to 18. The distributions per unit class are given in the Distribution Table on pages 56 to 58. All classes have the same rights on winding up.

Notes to the Accounts (continued)

15 Derivative and other financial instruments

In accordance with the investment objective, the fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policy;
- cash and short term debtors and creditors arising directly from operations.

Under normal circumstances, the Manager would expect substantially all of the assets of the fund to be invested in securities appropriate to the fund's investment objective. The fund may invest in deposits without limitation, only with an approved bank and which are repayable on demand or has the right to withdraw and maturing in no more than twelve months. Cash and near cash may only be held in order to assist in the redemption of units, the efficient management of the fund or purposes regarded as ancillary to the fund.

The main risks arising from the fund's financial instruments are market price, derivative, 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 COLL mitigates the risk of excessive exposure to any particular type of security or issuer.

Derivative risk

The fund trades in a high volume of derivatives to achieve its investment objective. This involves a higher degree of risk and may lead to a higher volatility in the unit prices of the fund. The Manager employs a risk management process to allow the Manager to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process the Manager conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

Foreign currency risk

The fund invests in overseas securities and the balance sheet can be significantly affected by movements in foreign exchange rates. The Manager seeks to manage exposure to currency movements by using forward foreign currency contracts.

Revenue received in other currencies is translated to sterling on or near the date of receipt.

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 COLL.

Credit risk

The debt securities are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The fund can invest in the full spectrum of available securities, which include non-investment grade securities (known as high yield). The Manager monitors credit weightings on a regular basis as well as reviewing individual issuers and respective bonds at risk of default.

The fund invests in credit default swaps to adjust the credit risk profile of the fund quickly and efficiently. Credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When the fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. Conversely when the fund sells a credit default swap the fund assumes the credit risk of the underlying security. All credit default swaps are disclosed separately in the Portfolio Statement.

Notes to the Accounts (continued)

The fund investment objective allows it to buy and sell options where the underlying contract is a credit default swap. These instruments have a similar investment purpose as holding credit default swap contracts directly in that they enable the fund to adjust the credit risk profile of the fund quickly and efficiently. When the fund buys an option it pays a premium and this entitles the fund to buy or sell a credit default swap at an agreed price at a future date. When the fund sells an option it receives a premium and this grants an entitlement to a third party that requires the fund to enter into a credit default swap at an agreed price at a future date.

Interest rate risk

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 debt securities may be affected by interest rate movements or the expectation of such movements in the future. The Manager monitors and controls the sensitivity of the portfolio to fluctuations of interest rates (duration) to best match the return of revenue gains/losses with potential losses/gains of capital value.

The fund invests in interest rate swaps to adjust the interest rate risk profile of the fund across the entire yield curve quickly and efficiently. The price of interest rate swaps are largely determined by investors' views of future interest rate and yield levels, and the Manager aims to profit when these market views differ from Schroders' own expectations. All interest rate swaps are disclosed separately in the Portfolio Statement.

Interest receivable on bank balances or payable on bank overdraft positions and amounts held or overdrawn at futures clearing houses and brokers 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 (LIBOR) or its international equivalent. US dollar denominated floating rate notes/bonds bear interest at rates based on US LIBOR.

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.

Inflation linked swaps

The fund invests in inflation linked swaps in order to provide a return based on a specified inflation rate over an agreed period. With such instruments one party agrees to enter a position with a counterparty to either receive or pay an amount based on an agreed inflation index. The counterparty pays a fixed amount over the maturity of the swap with any profit or loss from the agreement exchanged at maturity.

Notes to the Accounts (continued)

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

	Lowest	Highest	Average
2019	10.90%	16.54%	13.43%
2018	6.99%	14.13%	9.89%

Information on VaR model

Model type	Length of data history	Confidence interval	Holding period
2019			
Monte Carlo simulation	All available history	99%	20 days
2018			
Monte Carlo simulation	All available history	99%	20 days

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

	Lowest	Highest	Average	Leverage at 15 June
2019	191.40%	1,214.49%	480.50%	352.19%
2018	289.26%	1,695.60%	660.41%	419.13%

1 Where economic leverage is the sum of derivative commitments (calculated in line with ESMA (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.

2 Delta adjusted in line with ESMA 10/788 when appropriate.

Notes to the Accounts (continued)

16 Debt securities credit analysis

	2019 £000's	2018 £000's
Investment grade securities	58,899	58,311
Below investment grade securities	35,075	60,049
Unrated securities	6,047	8,736
Total debt securities	100,021	127,096

17 Direct transaction costs

In the case of shares, broker commissions and transfer taxes/stamp duty are paid by the fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

2019	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Bonds	102,749	0	0	102,749	0.00	0.00
Sales						
Bonds	131,904	0	0	131,904	0.00	0.00
Derivative purchases and sales		(1)	0			
Total cost of the fund's average net asset value (%)		0.00	0.00			

No transaction costs on the purchase or sale of investments were incurred by the fund during the prior year. The total purchases for the year amounted to £183,515,110 and the total sales amounted to £171,988,365.

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.86% (2018 – 0.73%).

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.

Notes to the Accounts (continued)

18 Units in issue reconciliation

	Number of units in issue as at 15.6.18	Number of units issued	Number of units cancelled	Number of units converted	Number of units in issue as at 15.6.19
A Income units	627,969	54,692	(550,502)	(34,136)	98,023
A Accumulation units	3,544,852	750,350	(1,172,226)	(7,999)	3,114,977
L Income units	85,063,441	10,392,768	(40,037,957)	(60,085)	55,358,167
L Accumulation units	15,915,027	8,608,335	(8,477,381)	13,110	16,059,091
X Income (Quarterly) units	44,316,118	20,483,808	0	0	64,799,926
Z Income units	40,421,042	3,175,620	(32,395,157)	93,139	11,294,644
Z Accumulation units	59,315,926	8,190,665	(45,157,404)	(5,604)	22,343,583

19 Counterparty exposure

The types of derivatives held at the balance sheet date were forward foreign currency contracts, futures contracts, credit default swaps, interest rate swaps, inflation linked 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	Futures contracts £000's	Credit default swaps £000's	Interest rate swaps £000's	Inflation linked swaps £000's	Swaption contracts £000's	Total £000's
ANZ Banking Group							
2019	0	0	0	0	0	0	0
2018	7	0	0	0	0	0	7
Bank of America							
2019	6	0	(40)	0	0	0	(34)
2018	0	0	(59)	0	0	0	(59)
Barclays Capital							
2019	42	0	(143)	0	0	0	(101)
2018	(420)	0	(189)	0	0	0	(609)
BNP Paribas							
2019	0	0	(32)	0	0	0	(32)
2018	0	0	(26)	0	0	0	(26)
Citibank							
2019	(1)	0	(110)	0	0	0	(111)
2018	567	0	(175)	0	0	0	392

Notes to the Accounts (continued)

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Credit default swaps £000's	Interest rate swaps £000's	Inflation linked swaps £000's	Swaption contracts £000's	Total £000's
Credit Suisse							
2019	0	0	(294)	0	0	0	(294)
2018	0	0	(340)	0	0	0	(340)
Deutsche Bank							
2019	0	0	0	0	0	0	0
2018	(4)	0	0	0	0	0	(4)
Goldman Sachs							
2019	0	0	(55)	0	0	0	(55)
2018	0	0	(106)	0	0	0	(106)
HSBC							
2019	0	0	(15)	0	0	0	(15)
2018	26	0	0	0	0	0	26
JPMorgan Chase							
2019	0	0	(57)	0	0	0	(57)
2018	244	0	72	0	0	0	316
Morgan Stanley							
2019	0	0	(95)	(207)	(124)	0	(426)
2018	18	0	(24)	40	293	1,226	1,553
Royal Bank of Canada							
2019	0	0	0	0	0	0	0
2018	(15)	0	0	0	0	0	(15)
Standard Chartered							
2019	0	0	0	0	0	0	0
2018	(1)	0	0	0	0	0	(1)
State Street							
2019	1	0	0	0	0	0	1
2018	(106)	0	0	0	0	0	(106)
UBS							
2019	(82)	169	0	0	0	0	87
2018	0	(62)	0	0	0	0	(62)

Notes to the Accounts (continued)

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

Counterparty	2019 £000's	2018 £000's
Barclays Capital	0	(430)
Citibank	0	170
Credit Suisse	(390)	(390)
Goldman Sachs	(20)	(310)
JPMorgan Chase	(1,330)	260
Morgan Stanley	(966)	1,380
Total	(2,706)	680

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

	2019 £000's	2018 £000's
Cash	(2,706)	680
Total	(2,706)	680

Securities Financing Transactions

The fund has not engaged in Securities Financing Transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, SFTs include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) and total return swaps (TRSs). Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the accounting year ended 15 June 2019.

UCITS remuneration disclosures for Schroder Unit Trusts Limited ('SUTL') for the year to 31 December 2018

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 68 to 90 of the 2018 Annual Report & Accounts (available on the Group's website – www.schroders.com/ir), 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 2018 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 2018.

- 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 142 UCITS MRTs of SUTL in respect of the financial year ended 31 December 2018, and attributed to SUTL or the UCITS funds that it manages, is £12.6 million, of which £4.8 million was paid to senior management, £7.3 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the UCITS funds that it manages and £0.5 million was paid to 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.

Distribution Table

Quarterly distribution for the three months ended 15 September 2018

Group 1 Units purchased prior to 16 June 2018
Group 2 Units purchased on or after 16 June 2018

	Net revenue 2018 p per unit	Equalisation 2018 p per unit	Distribution paid 15.11.18 p per unit	<i>Distribution paid 15.11.17 p per unit</i>
X Income (Quarterly) units				
Group 1	0.5788	–	0.5788	0.4268
Group 2	0.2685	0.3103	0.5788	0.4268

Interim distribution for the three months ended 15 December 2018

Group 1 Units purchased prior to 16 September 2018
Group 2 Units purchased on or after 16 September 2018

	Net revenue 2018 p per unit	Equalisation 2018 p per unit	Distribution paid 15.2.19 p per unit	<i>Distribution paid 15.2.18 p per unit</i>
X Income (Quarterly) units				
Group 1	0.5336	–	0.5336	0.4029
Group 2	0.2551	0.2785	0.5336	0.4029

Distribution Table (continued)

Interim distribution for the six months ended 15 December 2018

Group 1 Units purchased prior to 16 June 2018
Group 2 Units purchased on or after 16 June 2018

	Net revenue 2018 p per unit	Equalisation 2018 p per unit	Distribution paid 15.2.19 p per unit	Distribution paid 15.2.18 p per unit
A Income units				
Group 1	0.9748	–	0.9748	0.7251
Group 2	0.2481	0.7267	0.9748	0.7251
A Accumulation units				
Group 1	1.1898	–	1.1898	0.8622
Group 2	0.5904	0.5994	1.1898	0.8622
L Income units				
Group 1	1.0523	–	1.0523	0.7841
Group 2	0.6208	0.4315	1.0523	0.7841
L Accumulation units				
Group 1	1.2893	–	1.2893	0.9354
Group 2	0.5227	0.7666	1.2893	0.9354
Z Income units				
Group 1	1.0177	–	1.0177	0.7521
Group 2	0.5585	0.4592	1.0177	0.7521
Z Accumulation units				
Group 1	1.2389	–	1.2389	0.8920
Group 2	0.6688	0.5701	1.2389	0.8920

Quarterly distribution for the three months ended 15 March 2019

Group 1 Units purchased prior to 16 December 2018
Group 2 Units purchased on or after 16 December 2018

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution paid 15.5.19 p per unit	Distribution paid 15.5.18 p per unit
X Income (Quarterly) units				
Group 1	0.3743	–	0.3743	0.5165
Group 2	0.2041	0.1702	0.3743	0.5165

Distribution Table (continued)

Final distribution for the three months ended 15 June 2019

Group 1 Units purchased prior to 16 March 2019

Group 2 Units purchased on or after 16 March 2019

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution payable 15.8.19 p per unit	Distribution paid 15.8.18 p per unit
X Income (Quarterly) units				
Group 1	0.4595	–	0.4595	0.2399
Group 2	0.4595	0.0000	0.4595	0.2399

Final distribution for the six months ended 15 June 2019

Group 1 Units purchased prior to 16 December 2018

Group 2 Units purchased on or after 16 December 2018

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution payable 15.8.19 p per unit	Distribution paid 15.8.18 p per unit
A Income units				
Group 1	0.7153	–	0.7153	0.6477
Group 2	0.1027	0.6126	0.7153	0.6477
A Accumulation units				
Group 1	0.8907	–	0.8907	0.7868
Group 2	0.2844	0.6063	0.8907	0.7868
L Income units				
Group 1	0.7823	–	0.7823	0.7116
Group 2	0.3598	0.4225	0.7823	0.7116
L Accumulation units				
Group 1	0.9776	–	0.9776	0.8605
Group 2	0.5795	0.3981	0.9776	0.8605
Z Income units				
Group 1	0.7500	–	0.7500	0.6794
Group 2	0.4334	0.3166	0.7500	0.6794
Z Accumulation units				
Group 1	0.9304	–	0.9304	0.8166
Group 2	0.5281	0.4023	0.9304	0.8166

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.

General Information

Manager¹

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU
Authorised and regulated by the Financial Conduct Authority

Investment Adviser¹

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

Registrar¹

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU
Authorised and regulated by the Financial Conduct Authority

Administration Details

Schroders
FREEPOST
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Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

- ¹ With effect from 4 September 2018, Schroder Unit Trusts Limited and Schroder Investment Management Limited changed address, previously it was 31 Gresham Street, London EC2V 7QA.

Authorisation

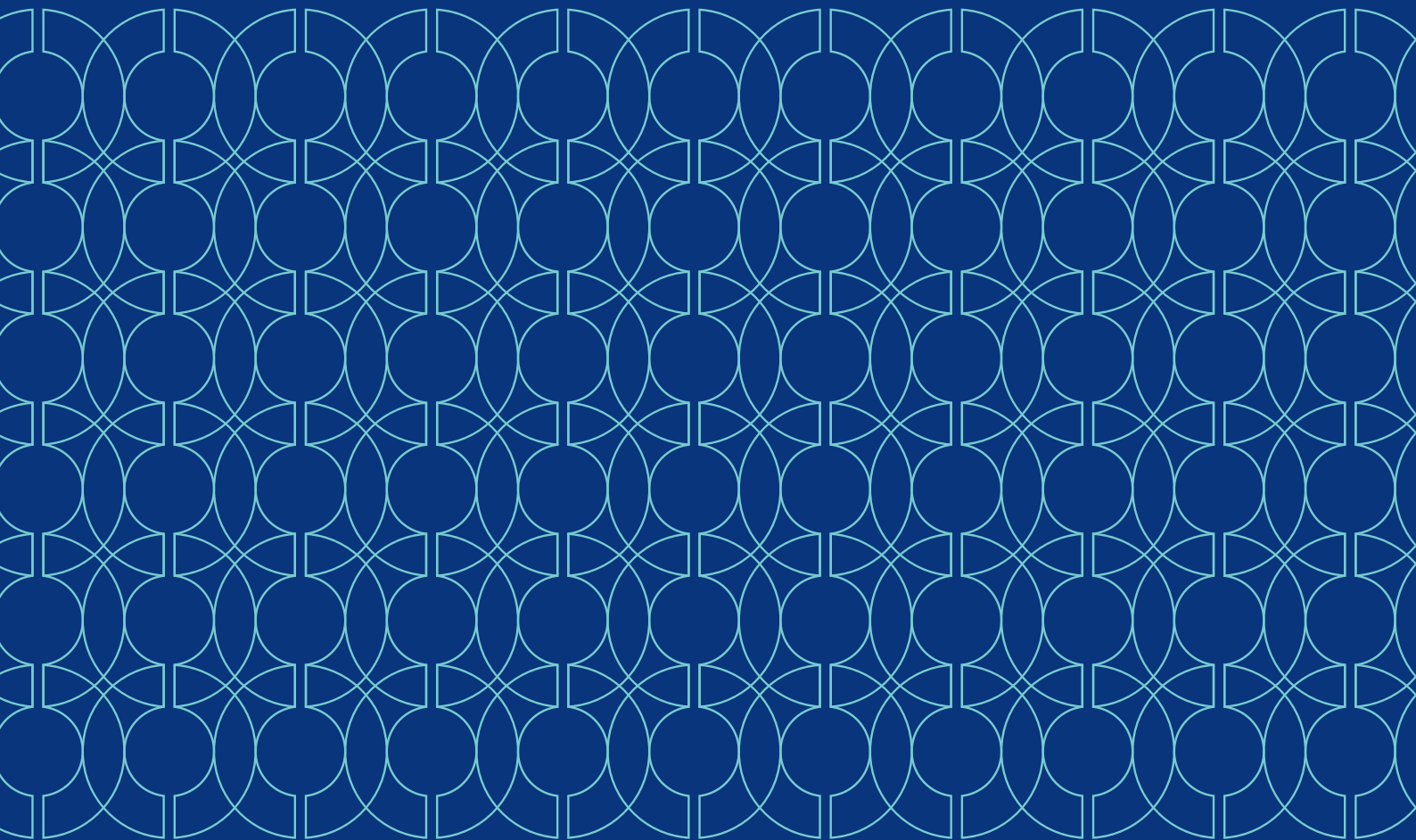
The fund is an authorised unit trust and is constituted pursuant to the COLL and is structured as a trust. The fund is a UCITS scheme for the purpose of the categorisation of the COLL.

Initial management charge

The issue price of X Income (Quarterly) units reflects an initial management charge of 10% of the dealing price. This is retained by the Manager.

Other information

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.co.uk.



EST. 1804

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

 **[@schroders](https://twitter.com/schroders)**

For further literature please contact Schroder Investor Services on 0800 718 777 or at investorservices@schroders.com, or visit our website at www.schroders.co.uk.

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