

SVS Sanlam Fixed Interest Fund

Annual Report

for the year ended 30 April 2021

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## SVS Sanlam Fixed Interest Fund Report of the Manager

Smith & Williamson Fund Administration Limited, as Manager, presents herewith the Annual Report for SVS Sanlam Fixed Interest Fund for the year ended 30 April 2021.

SVS Sanlam Fixed Interest Fund ('the Trust' or 'the Fund') is an authorised unit trust scheme further to an authorisation order dated 2 May 1995 and is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ('COLL'), as published by the Financial Conduct Authority ('FCA').

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Fund consist predominantly of securities which are readily realisable and, accordingly, the Fund has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The EU-UK Trade and Cooperation Agreement concluded between the EU and the UK sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in Union programmes. It is underpinned by provisions ensuring a level playing field and respect for fundamental rights.

The Trade and Cooperation Agreement is provisionally applicable from 1 January 2021, after having been agreed by EU and UK negotiators on 24 December 2020. As at the date of this report, the economic impacts of Brexit and of the Trade and Cooperation Agreement remain uncertain.

The base currency of the Fund is UK sterling.

The Trust Deed can be inspected at the offices of the Manager.

Copies of the Prospectus and Key Investor Information Document ('KIID') are available on request free of charge from the Manager.

### Investment objective and policy

The objective of the Fund is to achieve a high income through investing primarily in bonds. The Manager may invest in transferable securities, including warrants, in UK and other exchanges as well as collective investment schemes, money market instruments, deposits and cash and near cash.

The Manager's policy in order to achieve the Fund's objective will be to invest primarily in corporate bonds, other fixed interest securities (including gilts and permanent interest bearing securities ('PIBs')) without geographic restriction and preference shares in UK and European Community companies. The Manager may also apply for new issues.

The Manager may, from time to time, invest more than 35% of the property of the Fund in Government and other public securities (as defined within paragraph 13 of Part II of Schedule 2 of the Financial Services and Markets Act 2000) issued by one issuer.

The Manager's investment policy may mean that at times it may be appropriate for the Fund not to be fully invested but to hold cash or near cash. In the light of extreme market conditions, the Manager may raise or reduce the liquidity of the Fund from normal working levels.

The Manager may hedge transactions against price or currency fluctuations by back-to-back foreign currency borrowings against sterling or by suitable transactions permitted for Hedging. The extent will depend upon the circumstances and the objective will normally be to reduce the currency risk to a sterling based unitholder. The Manager does not envisage that they will enter into hedging transactions to a major extent.

### Important Note from the Manager

The outbreak of Covid-19, declared by the World Health Organisation as a Public Health Emergency of International Concern on 30 January 2020, has caused disruption to businesses and economic activity. The Manager is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

## Report of the Manager (continued)

### Changes affecting the Fund in the year

KPMG LLP resigned as auditor and Mazars LLP were appointed on 9 July 2020.

On 29 January 2021, Smith & Williamson Investment Management LLP resigned as Investment Manager and Sanlam Investments UK Limited were appointed. On the same date the Fund name changed from Smith & Williamson Fixed Interest Fund to SVS Sanlam Fixed Interest Fund.

Further information in relation to the Fund is illustrated on page 44.

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the Annual Report on behalf of the Manager, Smith & Williamson Fund Administration Limited.



Brian McLean  
Directors  
Smith & Williamson Fund Administration Limited  
31 August 2021



James Gordon

## Statement of the Manager's responsibilities

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

In preparing the financial statements the Manager is responsible for:

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

COLL also requires the Manager to carry out an Assessment of Value on the Trust and publish this assessment within the Annual Report.

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

## Assessment of Value - SVS Sanlam Fixed Interest Fund

In line with the provisions contained within COLL 6.6.20R, the Board of Smith & Williamson Fund Administration Limited ('SWFAL') as Authorised Fund Manager ('AFM'), has carried out an Assessment of Value for SVS Sanlam Fixed Interest Fund ('the Fund'). Furthermore, the rules require that SWFAL publishes these assessments.

A high-level summary of the outcome of SWFAL's rigorous review of the Fund, at unit class level for the year ending 30 April 2021, using the seven criteria set by the FCA is set out below:

Criteria	A Class	B Class
1. Quality of Service		
2. Performance		
3. AFM Costs		
4. Economies of Scale		
5. Comparable Market Rates		
6. Comparable Services		
7. Classes of Units		
Overall Rating		

SWFAL has adopted a traffic light system to show how it rated the funds:

-  On balance, the Board believes the fund is delivering value to unitholders, with no material issues noted.
-  On balance, the Board believes the fund is delivering value to unitholders, but may require some action.
-  On balance, the Board believes the fund has not delivered value to unitholders and significant remedial action is now being undertaken by the Board.

How SWFAL assessed each of the seven criteria and the rating arrived at are discussed in greater detail on the following pages.

SWFAL has created an Assessment of Value Committee ('AVC'), for the review, challenge and approval of all the funds' Assessments of Value. Ultimately the assessment will be subject to scrutiny by the Board (which includes independent directors) to ensure the outcomes of the assessments are clear and fair, before final sign-off by the chair of the Board prior to communicating to investors if the fund has delivered value, and if not, where improvements need to be made.

In carrying out the assessment, the SWFAL AVC has separately considered the following seven criteria stipulated by the FCA. The Committee may also have considered other issues where it was deemed appropriate.

SWFAL believes the Assessment of Value can make it easier for investors to both evaluate whether the fund is providing them with value for money and make more informed decisions when choosing investments.

The seven criteria are:

- (1) Quality of service - the quality of every aspect of the service provided, including, for example, accounting, administration, customer services and communications;
- (2) Performance - how the fund performed, including whether it met targets and objectives, kept to relevant policy, followed relevant principles, kept to reasonable timescales;
- (3) AFM costs - the fairness and value of the fund's costs, including entry and exit fees, early redemption fees, administration charges;
- (4) Economies of scale - how costs have been or can be reduced as a result of increased Assets under Management ('AUM'), and whether or not those savings have been passed on to investors;
- (5) Comparable market rates - how the costs of the fund compare with others in the marketplace;
- (6) Comparable services - how the charges applied to the fund compare with those of other funds administered by SWFAL;
- (7) Classes of units - the appropriateness of the classes of units in the fund for investors.

## Assessment of Value - SVS Sanlam Fixed Interest Fund (continued)

### 1. Quality of Service

What was assessed in this section?

#### Internal Factors

SWFAL, as AFM, has overall responsibility for the Fund. The Board assessed, amongst other things: the day-to-day administration of the Fund; the maintenance of scheme documentation (such as prospectuses and key investor information documents ('KIIDs')); the pricing and valuation of units; the calculation of income and distribution payments; the maintenance of accounting and other records; the preparation of annual audited and half-yearly Report & Accounts; the review of tax provisions and submission of tax computations to HMRC; the maintenance of the register of unitholders; and the dealing and settlement arrangements. SWFAL delegates the investment management of the Fund to an Investment Management firm.

The Board reviewed information provided by SWFAL's control functions on the adequacy of its internal services, including governance, operations and monitoring. Elements important to the client experience such as the timely payment of settlement and distribution monies were also reviewed. Over the past year, SWFAL has been audited by, internal and external auditors, the Trustee and various SWFAL delegated investment managers.

#### External Factors

The Board assessed the delegate's skills, processes, experience, level of breaches and complaints. Also considered were any results from service review meetings as well as the initial due diligence performed by SWFAL on the delegated investment manager, Sanlam Investments UK Limited (Sanlam) who replaced Smith & Williamson Investment Management LLP on 29 January 2021, where consideration was given to, amongst other things, the delegate's controls around the Fund's liquidity management.

The Board also considered the nature, extent and quality of administrative and unitholder services performed under separate agreements covering trustee services, custodians, as well as services provided with regard to both audit and legal functions.

What was the outcome of the assessment?

#### Internal Factors

The Board recognised that all distribution and settlement monies were paid in a timely manner and that there were no significant findings as a result of the various audits performed on SWFAL during the year. In addition, SWFAL has performed its own independent analysis, using automated software, of the Fund's liquidity. The Board concluded that SWFAL had carried out its duties diligently.

#### External Factors

The Board concluded that the nature, extent and quality of the services provided by the external parties have benefitted and should continue to benefit the Fund and its unitholders.

Were there any follow up actions?

There were no follow-up actions required.

### 2. Performance

What was assessed in this section?

The Board reviewed the performance of the Fund, after the deduction of all payments out of the scheme property as set out in the Prospectus. Performance, against benchmarks, were considered over appropriate timescales having regard to the Fund's investment objective, policy and strategy. The Board also considered whether an appropriate level of market risk had been taken.

#### Investment Objective

The Fund seeks to achieve a high income through investing primarily in bonds.

#### Benchmark

As AFM, SWFAL is required to explain in a fund's scheme documentation why a benchmark is being used or alternatively explain how investors should assess performance of a trust in the absence of a benchmark.

The benchmarks for the Fund are the IA Sterling Corporate Bond sector, which is a comparator, and the iBoxx £ Corporates Index, which was removed as a comparator on the 30 April 2021, as it was no longer appropriate for the current exposures within the Fund and essentially too narrow as a comparison to the broader market that the Fund can trade within. A 'comparator' benchmark is an index or similar factor against which an Investment Manager invites investors to compare a fund's performance. Details of how the Fund has performed against its primary comparator benchmark over various timescales can be found on the next page.

## Assessment of Value - SVS Sanlam Fixed Interest Fund (continued)

### 2. Performance (continued)

Benchmark (continued)

Cumulative Returns 31 March 2021

	1 year	3 year	5 year
SVS Sanlam Fixed Interest Fund Class A Accumulation	6.1%	10.1%	17.9%
SVS Sanlam Fixed Interest Fund Class B Accumulation	6.6%	11.6%	-
iBoxx Sterling Corporates Index	10.1%	14.5%	28.7%
IA £ Corporate Bond	9.0%	13.1%	25.3%

Fund data sourced from FE fundinfo and Morningstar. Care has been taken to ensure that the information is correct but FE fundinfo and Morningstar neither warrants, represents nor guarantees the contents of the information, nor does FE fundinfo and Morningstar accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

\* A Accumulation Class launched January 2016.

\*\* B Accumulation Class launched July 2017.

Performance is calculated net of fees.

You should be aware that past performance is not a guide to future performance.

### Distributions

	2017	2018	2019	2020	Year to date
Unit Classes	Historic Yield %				
SVS Sanlam Fixed Interest A Accumulation	1.97	2.13	2.12	1.98	0.92
SVS Sanlam Fixed Interest B Accumulation*	0.56	2.35	2.33	2.19	1.03

Historic yield has been calculated by summing the dividends over the given period divided by the price on the final XD date for the period.

Dividend figures rebased in GBP, all distribution values are shown in their major currency unit.

\* The history of this unit class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the Fund as a whole.

### What was the outcome of the assessment?

The Board noted that the Fund had lagged its primary comparator benchmark, IA Sterling Corporate Bond, over all observed periods. The B units, which have a lower Ongoing Charges Figure ('OCF') than that A units, had a higher return than the A units. It was noted that Sanlam had outperformed the benchmark since becoming Investment Manager in January 2021.

With regard to the investment objective to disburse a "high level of income", the yield on the Fund compared unfavourably against its peer group and was deemed not to be high. The Board were of the opinion that this section should be rated Amber.

### Were there any follow up actions?

SWFAL will engage with Sanlam with a view to ensuring that the prospectus wording more accurately reflects the level of income capable of being generated by the Fund. SWFAL will continue to monitor the performance of the Fund against its benchmark and engage with the investment manager to review its appropriateness.

### 3. AFM Costs

#### What was assessed in this section?

The Board reviewed each separate charge to ensure that they were reasonable and reflected the services provided. This includes investment management fees, annual management charge ('AMC'), Trustee/Custodian fees and audit fees.

The charges should be transparent and understandable to the investor, with no hidden costs.

#### What was the outcome of the assessment?

The Board received and considered information about each of the Fund's costs, and concluded that they were fair, reasonable and provided on a competitive basis.

#### Were there any follow up actions?

There were no follow-up actions required.

## Assessment of Value - SVS Sanlam Fixed Interest Fund (continued)

### 4. Economies of Scale

What was assessed in this section?

The Board reviewed each separate fee structure and the AUM of the Fund to examine the effect on the Fund to potential and existing investors should the Fund increase or decrease in value.

What was the outcome of the assessment?

The Board noted that both unit classes have a fixed AMC with an embedded ACD tier within them, meaning that if the Fund was to grow, the result would be that the delegated Investment Manager would potentially receive a greater proportion of the Fund's OCF. The Fund is small in size, however this mechanism therefore prevents investors from participating in any possible savings that could be achieved if the Fund was to grow in the future.

Accordingly, the Board were of the opinion that the current fee structure within the Fund was not in investors' best interests should the Fund grow in size and as such they concluded that further action should be taken along with Sanlam in order to establish a model that was better suited to achieving a more favourable investor outcome. This section has therefore been marked as Amber.

Were there any follow up actions?

SWFAL will engage with Sanlam with a view to addressing the concerns surrounding the fee structure.

### 5. Comparable Market Rates

What was assessed in this section?

The Board reviewed the ongoing charges of the Fund, and how those charges affect the returns. Funds with lower fees may offer better value than those with higher fees.

The OCF of both unit classes was compared against the 'market rate' of similar external funds.

What was the outcome of the assessment?

The OCF was 1.12<sup>1</sup> for the A Class and 0.67<sup>1</sup> for the B Class. The A class charges were found to be slightly more expensive than the median of those of similar externally managed funds. The B class charges compared very favourably. The Board were of the view that the A class charges were towards the upper end of what they considered fair and reasonable.

Note that SWFAL has not charged an entry fee, exit fee or any other event-based fees on this Fund.

Were there any follow up actions?

There were no follow-up actions required as the Board felt that none of the costs within the A class were excessive.

### 6. Comparable Services

What was assessed in this section?

The Board compared the Fund's OCF with those of other funds administered by SWFAL having regard to size, investment objectives and policies.

What was the outcome of the assessment?

There were no other SWFAL administered funds displaying the same characteristics as the SVS Sanlam Fixed Interest Fund with which to make a meaningful comparison.

Were there any follow up actions?

There were no follow-up actions required.

<sup>1</sup> Figures at interim report 31 October 2020.

## Assessment of Value - SVS Sanlam Fixed Interest Fund (continued)

### 7. Classes of Units

What was assessed in this section?

The Board reviewed the Fund's set-up to ensure that where there are multiple unit classes, unitholders were in the correct unit class given the size of their holding.

What was the outcome of the assessment?

There are 2 unit classes in the Fund. SWFAL can confirm that unitholders are in the correct unit class.

Were there any follow up actions?

There were no follow-up actions required.

### Overall Assessment of Value

Notwithstanding the issues raised in sections 2 and 4, the Board still concluded that both share classes of SVS Sanlam Fixed Interest Fund were rated Green and both classes had provided value to unitholders. The Board noted that new investment management arrangements had been put in place at the start of this year and early indications point towards an encouraging pick up in investment performance. SWFAL will continue to monitor progress and will work with Sanlam to address the issues highlighted in this report.

Dean Buckley

Chairman of the Board of Smith & Williamson Fund Administration Limited

31 August 2021

On reviewing this Assessment of Value report, we would welcome invaluable feedback from investors via our short questionnaire which can be found online:

<https://smithandwilliamson.com/en/services/fund-administration/assessment-of-value/>

Investors views are invaluable to the development and delivery of this report.

Should you be unable to access the questionnaire online please contact us directly on 0141 222 1151 and we will provide you with a paper copy of the questionnaire.

## Report of the Trustee to the unitholders of SVS Sanlam Fixed Interest Fund

### Trustee's responsibilities

The Trustee 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 Fund's 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 into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the 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 revenue is applied in accordance with the Regulations; and
- the instructions of the Manager 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 in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we consider 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 revenue 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.

NatWest Trustee and Depositary Services Limited  
31 August 2021

## Independent Auditor's report to the unitholders of SVS Sanlam Fixed Interest Fund ('the Trust')

### Opinion

We have audited the financial statements of SVS Sanlam Fixed Interest Fund for the year ended 30 April 2021 which comprise the Statement of total return, Statement of change in net assets attributable to unitholders, Balance sheet and notes to the financial statements including the Distribution table and a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Association (the 'Statement of Recommended Practice for Authorised Funds'), the Collective Investment Schemes sourcebook and the Trust Deed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 30 April 2021 and of the net revenue and the net capital gains for the year then ended; and
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes Sourcebook and the Trust Deed.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

### Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

## Independent Auditor's report to the unitholders of SVS Sanlam Fixed Interest Fund (continued)

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of the Manager

As explained more fully in the Statement of the Manager's responsibilities set out on page 4, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines 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 Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

### Auditor's 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 auditor's 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Trust and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, anti-bribery, corruption and fraud, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Collective Investment Schemes Sourcebook and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Association.

We evaluated the Manager's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the potential for manual journal entries to manipulate financial performance and bias through judgements and assumptions in significant accounting estimates, in particular in relation to valuation of investments.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Manager their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Trust which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Manager on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

## Independent Auditor's report to the unitholders of SVS Sanlam Fixed Interest Fund (continued)

### Auditor's responsibilities for the audit of the financial statements (continued)

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of the audit report

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



Stephen Eames (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD  
31 August 2021

## Accounting policies of SVS Sanlam Fixed Interest Fund

for the year ended 30 April 2021

### a *Basis of accounting*

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

The Manager has considered the impact of the emergence and spread of Covid-19 and potential implications on future operations of the Fund of reasonably possible downside scenarios. The Manager has considered a detailed assessment of the Fund's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Fund continues to be open for trading and the Manager is satisfied the Fund has adequate financial resources to continue in operation for at least the next 12 months and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

### b *Valuation of investments*

The purchase and sale of investments are included up to close of business on 30 April 2021.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver an asset arises.

Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is global close of business on 30 April 2021 with reference to quoted bid prices from reliable external sources.

Derivatives are valued at the price which would be required to close out the contract at the balance sheet date.

Where an observable market price is unreliable or does not exist, investments are valued at the Manager's best estimate of the amount that would be received from an immediate transfer at arm's length.

### c *Foreign exchange*

The base currency of the Fund is UK sterling which is taken to be the Fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

### d *Revenue*

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

Interest on debt securities is recognised on an effective yield basis. Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Fund. The amortised amounts are accounted for as revenue or as an expense and form part of the distributable revenue of the Fund.

### e *Expenses*

All expenses, other than those relating to the purchase and sale of investments, are charged to revenue then 50% of the annual management charge is reallocated to capital, net of any tax effect.

Bank interest paid is charged to revenue.

### f *Allocation of revenue and expenses to multiple unit classes*

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

## Accounting policies of SVS Sanlam Fixed Interest Fund (continued)

for the year ended 30 April 2021

### g *Taxation*

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

UK corporation tax is provided as amounts to be paid/recovered using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at 30 April 2021 to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Provision for deferred tax assets are only made to the extent the timing differences are expected to be of future benefit.

All foreign dividend revenue is recognised as a gross amount which includes any withholding tax deducted at source. Where foreign tax is withheld in excess of the applicable treaty rate a tax debtor is recognised to the extent that the overpayment is considered recoverable.

When a disposal of a holding in a non-reporting offshore fund is made, any gain is an offshore income gain and tax will be charged to capital. There may be instances where tax relief is due to revenue for the utilisation of excess management expenses.

### h *Efficient Portfolio Management*

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts may be used for Efficient Portfolio Management purposes. Where such instruments are used to protect or enhance revenue, the revenue or expenses derived therefrom are included in the Statement of total return as revenue related items and form part of the distribution. Where such instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in the Statement of total return as capital related items.

### i *Dilution levy*

The need to charge a dilution levy will depend on the volume of sales or redemptions. The Manager may charge a discretionary dilution levy on the sale and redemption of units if, in its opinion, the existing unitholders (for sales) or remaining unitholders (for redemptions) might otherwise be adversely affected, and if charging a dilution levy is, so far as practicable, fair to all unitholders and potential unitholders. Please refer to the Prospectus for further information.

### j *Distribution policies*

#### i *Basis of distribution*

The distribution policy is to distribute all available revenue after deduction of expenses payable from revenue. Distributions attributable to income units are paid to unitholders. Distributions attributable to accumulation units are re-invested in the relevant class on behalf of the unitholders.

#### ii *Unclaimed distributions*

Distributions to unitholders outstanding after 6 years are taken to the capital property of the Fund.

#### iii *Revenue*

All revenue is included in the final distribution with reference to policy d.

#### iv *Expenses*

Expenses incurred against the revenue of the Fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to policy e.

#### v *Equalisation*

Group 2 units are units purchased on or after the previous XD date and before the current XD date. Equalisation applies only to group 2 units. Equalisation is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes. Equalisation per unit is disclosed in the Distribution table.

## Investment Manager's report

### Investment performance\*

The performance during the year was 3.68% for the A Class Accumulation, underperforming the IA Sterling Corporate Bond Sector, which rose 5.01%. It is important to note, that as of 30 January 2021 Sanlam Investments UK Limited were appointed as the Investment Manager to the Fund and as a result Sanlam's Fixed Income team took over day-to-day management of the Fund. From 1 February 2021 to 30 April 2021 the A Class Accumulation has returned -1.63%, outperforming the IA Sterling Corporate Bond Sector, which returned -1.81%.

The year can best be summarised by credit risk versus duration risk. For funds which have had a large allocation to credit risk and therefore corporate bonds, their performance has been superior. For funds, which have large allocations to government bonds and therefore duration, their performance has been inferior.

SVS Sanlam Fixed Interest Fund in its objective to 'achieve a high income' must therefore carry an allocation to duration but complements this with a generous allocation to corporate bonds too.

### Cumulative performance

	1 year to 30 April 2021	3 years to 30 April 2021	5 years to 30 April 2021
A Class Accumulation	3.68%	10.50%	19.24%
IA Sterling Corporate Bond Sector	5.01%	14.07%	26.33%

### Discrete performance

	12 months to April 2017	12 months to April 2018	12 months to April 2019	12 months to April 2020	12 months to April 2021
A Class Accumulation	7.62%	0.27%	2.92%	3.55%	3.68%
IA Sterling Corporate Bond Sector	9.34%	1.28%	3.15%	5.32%	5.01%

\* Source: Morningstar Direct, 2021. Net Asset Value (NAV) to NAV, A Accumulation.

### Market review

The macro environment throughout this year continued to be dominated by the extreme economic shock created by the Covid-19 pandemic and the subsequent large-scale supportive actions take by Central Banks and Governments globally.

These large-scale supportive actions allowed financial markets to regain their stability with risk assets including, equities, corporate bonds and government bonds performing strongly from April 2020 onwards.

After the summer, it became clear that several Covid-19 vaccines - developed and approved in record time would become available on a large scale, an achievement which deserves recognition and gratitude. This news of a vaccine success propelled financial markets even higher as hope and expectation of a strong and fast economic recovery were factored into asset prices.

In the middle of this, the US election saw a difficult handover from President Trump to Joe Biden and finally, after years of angst and delays, Brexit became a reality as the UK left the European Union. The impact of Brexit will not be known or indeed quantified for some time and indeed large parts of the future relationship, such as Financial Services, remain as yet undefined.

Further afield, domestic political unrest including arrests and protests in Hong Kong continued, with a hard line being taken by an increasingly authoritarian government led by Xi Jinping.

As 2021 began, financial markets gained further confidence despite second and third waves of Covid-19 setbacks and began to price in significant growth and recovery prospects specifically in the developed world. The expectation of inflationary pressures, albeit largely expected to be temporary have forced long-dated government bond prices meaningfully lower.

An important development regarding the management of the Fund, was the announcement that Sanlam Investments was to assume the responsibility for several funds previously managed by Smith & Williamson Investment Management LLP, including the Fixed Interest Fund, effective 30 January 2021. It is therefore important to note that this report is written by the Sanlam Investment Team without any input or reference to activities from the previous Investment Managers, Smith & Williamson Investment Management LLP. For Smith & Williamson Investment Management LLP's Investment activities please refer to page 18 of the Report & Accounts.

## Investment Manager's report (continued)

### Investment activities

The first task for the Sanlam Investment Team upon receipt of the Fund in February, was to identify any investments that the team was not comfortable with. Although Sanlam does not employ a formal Environmental, social, and governance ('ESG') policy, it felt that an allocation to the tobacco sector was not appropriate and therefore the securities were sold, specifically Imperial Brands and British American Tobacco. ESG is an important component of an investment and risk management process and can be significant to the overall performance of the Fund.

The Team also chose to remove the investment in Rolls-Royce 3.375% 18/06/2026, believing that there are fundamental balance sheet concerns with the company and a risk of further credit rating downgrades. Similarly, the Team divested from Nottingham Building Society 7.875% perpetual as the credit story was not offering sufficient protection to subordinated credit investors.

The Team chose to add investments to the Fund, which, where appropriate exist in other comparable mandates at Sanlam. An additional allocation to the Banking and Insurance sectors through the names of Just Group 7% 15/04/2031, Quilter 4.478% 28/02/2028, Commerzbank 5.5% 29/08/2028 and Sainsbury's Bank 6% 23/11/2027 were undertaken. The Banking and Insurance sectors are very much favoured sectors of the Team, given its deep understanding and extensive knowledge of these industries. The Team were also keen to add corporate risk to the Fund, particularly securities which will benefit from an economic recovery such as Hotels and Real Estate. With that in mind, both Whitbread Group 3.375% 16/10/2025 and MPT Operating Partnership 3.375% 24/04/2030 were added, both performing very well since investment.

Activity has been measured and appropriate, increasing the portfolio yield suitably, but importantly, being very cautious in the duration of the Fund.

The Team has a strong preference for earnings visibility, seeking capital preservation and downside protection in its rigorous approach to fundamental credit analysis, a strategy that has worked well for several years.

### Investment strategy and outlook

The Investment Team fully recognises that generic corporate bond spreads are for the most part fully valued at the moment and will therefore apply intensive credit fundamental analysis into its decision making. This approach alongside imaginative security selection, with specific emphasis on our favoured sectors hopefully should ensure that the recent positive outperformance continues.

2021 could be a 'sweet spot' for several of the developed economies around the world in terms of growth, as the encouraging Covid-19 vaccine roll-out allows a rapid recovery to gather momentum. The consequence of strong growth and subsequent supply chain pressures may likely drive inflation higher. Market participants may be fully occupied in determining if inflationary pressures are a temporary factor or something more permanent.

The Investment Team will be watching inflationary pressures very closely ahead of an inevitable return to higher official interest rates and subsequent volatility. The Team therefore will continue to focus on capital preservation and downside protection in its ability to identify attractive investment opportunities for the Fund.

Sanlam Investments UK Limited  
19 May 2021

## Investment Manager's report (continued)

### Investment activities - Smith & Williamson LLP

1 May 2020 to 31 October 2020

Over the six-month review period, the bulk of the Fund has remained invested in good quality sterling-denominated investment-grade corporate bonds. At the individual credit level our underlying holdings continued to be focused on a list of well-known and well-researched investment-grade corporate credit issuers, including the likes of Tesco, Nationwide and McDonald's.

Over the period, we kept credit risk closely controlled by maintaining an average credit rating from A to BAA across the portfolio. Our duration (interest rate sensitivity) declined by 0.8 years, affording the Fund some protection as yield curves steepened in the latter part of the period (i.e. long end yields rose more than short end ones as the market began to price some kind of return to 'normality' post Covid-19 - yields of course move inversely to prices).

Looking at specific buys and sells, it was a relatively busy period for the Fund, with purchases including Walmart 4.875% 21/09/2029 and BAT International Finance 4% 04/09/2026. We also repositioned in miner BHP Billiton Finance 6.75% 19/10/2075, buying the higher coupon and selling BHP Billiton Finance 5.625% 22/10/2079. As indicated above, we shortened our overall duration, which was in part achieved by exiting HSBC Holdings 6% perpetual. Our holding in J Sainsbury 6.5% perpetual also disappeared as this was redeemed by the issuer. Other sales included Shell International Finance 4.125% 11/05/2035, while our holding in National Grid Electricity Transmission 3.806% 27/07/2020 matured.

1 November 2020 to 29 January 2021

Over the two-month review period, we added to our holding in UK Treasury Gilt 4.25% 07/03/2036 and we purchased US Treasury Bond 4.75% 15/02/2037. We sold BMW Finance 0.875% 16/08/2022, US Treasury Inflation Indexed Bonds 0.25% 15/07/2029, Engie 3.875% Perpetual and BHP Billiton Finance 5.625% 22/10/2079. Sky 2.875% 24/11/2020 fully redeemed.

Smith & Williamson Investment Management LLP

6 August 2021

## Summary of portfolio changes for the year ended 30 April 2021

The following represents the total purchases and major sales in the year to reflect a clearer picture of the investment activities.

	Cost
	£
Purchases:	
UK Treasury Gilt 4.25% 07/03/2036	2,575,700
US Treasury Bond 4.75% 15/02/2037	1,780,886
MPT Operating Partnership 3.375% 24/04/2030	795,584
Athora Netherlands 2.25% 15/07/2031	646,787
Walmart 4.875% 21/09/2029	612,214
Lancashire Holdings 5.625% 18/09/2041	539,413
BP Capital Markets 4.25% Perpetual	503,125
Whitbread Group 3.375% 16/10/2025	421,799
BHP Billiton Finance 6.75% 19/10/2075	419,964
Lend Lease 6.125% 12/10/2021	413,232
Ford Motor Credit 2.748% 14/06/2024	403,841
La Mondiale 4.8% 18/01/2048	388,105
Commerzbank 5.5% 29/08/2028	362,504
BAT International Finance 4% 04/09/2026	338,676
RAC Bond 4.565% 06/05/2023	315,224
Sainsbury's Bank 6% 23/11/2027	312,887
Just Group 7% 15/04/2031	289,193
Quilter 4.478% 28/02/2028	262,829
ZF Finance 2% 06/05/2027	173,693
Tikehau Capital 1.625% 31/03/2029	171,540
	Proceeds
	£
Sales:	
US Treasury Inflation Indexed Bonds 0.25% 15/07/2029	1,285,522
UK Treasury Gilt 4.25% 07/03/2036	982,190
National Grid Electricity Transmission 3.806% 27/07/2020	784,579
HSBC Holdings 6% Perpetual	714,806
J Sainsbury 6.5% Perpetual	700,001
Anheuser-Busch InBev 2.25% 24/05/2029	631,845
BMW Finance 0.875% 16/08/2022	604,501
Rolls-Royce 3.375% 18/06/2026	596,222
BP Capital Markets 2.03% 14/02/2025	571,704
Cadent Finance 2.125% 22/09/2028	516,736
US Treasury Bond 4.875% 21/09/2029	502,406
Engie 3.875% Perpetual	497,445
Shell International Finance 4.125% 11/05/2035	491,411
Verizon Communications 0.875% 02/04/2025	448,404
Wellcome Trust Finance 4.625% 25/07/2036	442,650
Centrica 3% 10/04/2076	432,976
BHP Billiton Finance 5.625% 22/10/2079	420,827
United Utilities Water Finance 2% 14/02/2025	417,288
Lend Lease 6.125% 12/10/2021	411,226
Lloyds Bank 5.75% 09/07/2025	400,001

## Portfolio statement

as at 30 April 2021

Investment	Nominal value or holding	Market value £	% of total net assets
Debt Securities* 97.54% (96.76%)			
Debt Securities - United Kingdom 54.84% (59.11%)			
Aaa to Aa2 0.86% (4.06%)			
Wellcome Trust 1.125% 21/01/2027	€300,000	277,748	0.86
Aa3 to A1 6.63% (1.45%)			
UK Treasury Gilt 4.25% 07/03/2036	£1,500,000	2,136,600	6.63
A2 to A3 10.05% (14.21%)			
AstraZeneca 6.45% 15/09/2037	\$600,000	621,356	1.93
Aviva 6.125% Perpetual**	£120,000	128,240	0.40
Direct Line Insurance Group 9.25% 27/04/2042**	£500,000	540,339	1.68
GlaxoSmithKline Capital 5.25% 19/12/2033	£400,000	557,352	1.73
Legal & General Group 10% 23/07/2041**	£300,000	306,084	0.96
Legal & General Group 5.375% 27/10/2045**	£500,000	574,766	1.78
Reckitt Benckiser Treasury Services 3% 26/06/2027	\$650,000	505,878	1.57
		3,234,015	10.05
Baa1 to Baa2 19.15% (19.66%)			
BP Capital Markets 4.25% Perpetual**	£500,000	531,875	1.65
British Telecommunications 3.5% 25/04/2025**	£150,000	314,274	0.97
British Telecommunications 5.75% 07/12/2028	£150,000	191,232	0.59
CRH Finance UK 4.125% 02/12/2029	£600,000	713,335	2.21
Glencore Finance Europe 3.125% 26/03/2026	£500,000	533,160	1.65
National Grid 1.25% 06/10/2021**	£575,000	733,326	2.27
Nationwide Building Society 2% 25/07/2029**	€400,000	366,401	1.14
Next Group 4.375% 02/10/2026	£500,000	564,570	1.75
RSA Insurance Group 5.125% 10/10/2045**	£500,000	566,759	1.76
Scottish Widows 5.5% 16/06/2023	£350,000	382,033	1.19
Severn Trent 1.3% 11/07/2022**	£300,000	371,439	1.15
South Eastern Power Networks 3.053% 05/06/2023**	£150,000	271,724	0.84
WM Morrison Supermarkets 3.5% 27/07/2026	£575,000	638,263	1.98
		6,178,391	19.15
Baa3 and below 18.15% (19.73%)			
BG Energy Capital 5.125% 01/12/2025	£500,000	595,804	1.85
Hiscox 2% 14/12/2022	£400,000	407,012	1.26
John Lewis 6.125% 21/01/2025	£500,000	559,520	1.74
Just Group 7% 15/04/2031**	£250,000	290,044	0.90
Lancashire Holdings 5.625% 18/09/2041**	\$750,000	563,414	1.75
Marks & Spencer 7.125% 01/12/2037	\$400,000	335,650	1.04
Quilter 4.478% 28/02/2028*8	£250,000	260,703	0.81
RAC Bond 4.565% 06/05/2023	£300,000	312,738	0.97
Sainsbury's Bank 6% 23/11/2027**	£300,000	312,762	0.97
Society of Lloyd's 4.75% 30/10/2024	£350,000	387,607	1.20
SSE 4.75% 16/09/2077**	\$700,000	520,747	1.62
Tesco 1.982% 24/03/2036**	£450,000	879,741	2.73
Whitbread Group 3.375% 16/10/2025	£400,000	423,580	1.31
		5,849,322	18.15
Total debt securities - United Kingdom		17,676,076	54.84

\* Grouped by credit rating - source: Interactive Data and Bloomberg.

\*\* Denotes a variable interest security.

## Portfolio statement (continued)

as at 30 April 2021

Investment	Nominal value or holding	Market value £	% of total net assets
Debt Securities (continued)			
Debt Securities* - Europe 15.57% (13.41%)			
Aaa to Aa2 3.17% (2.28%)			
Equinor 6.125% 27/11/2028	£300,000	400,205	1.24
Temasek Financial 5.125% 26/07/2040	£400,000	621,015	1.93
		<u>1,021,220</u>	<u>3.17</u>
A2 to A3 0.00% (1.55%)			
Baa1 to Baa2 1.62% (4.70%)			
Deutsche Telekom International Finance 2.25% 13/04/2029	£500,000	523,640	1.62
Baa3 and below 10.78% (4.88%)			
Athora Netherlands 2.25% 15/07/2031**	€750,000	658,610	2.04
Beazley Insurance 5.5% 10/09/2029	\$200,000	158,896	0.49
Commerzbank 5.5% 29/08/2028	AUD 600,000	356,803	1.11
Electricite de France 6% Perpetual**	€600,000	671,250	2.08
Engie 3.25% Perpetual**	€200,000	188,454	0.58
La Mondiale 4.8% 18/01/2048**	\$500,000	383,121	1.19
Orange 5.75% Perpetual**	£500,000	540,113	1.68
Orange 5.875% Perpetual**	£500,000	518,750	1.61
		<u>3,475,997</u>	<u>10.78</u>
Total debt securities - Europe		<u>5,020,857</u>	<u>15.57</u>
Debt Securities* - North America 23.34% (18.18%)			
Aaa to Aa2 7.75% (5.85%)			
Apple 3% 13/11/2027	\$500,000	392,663	1.22
Microsoft 3.5% 12/02/2035	\$500,000	405,944	1.26
US Treasury Bond 4.75% 15/02/2037	\$1,100,000	1,099,364	3.41
Walmart 4.875% 21/09/2029	€500,000	598,802	1.86
		<u>2,496,773</u>	<u>7.75</u>
Aa3 to A1 1.70% (3.40%)			
Novartis Capital 3.1% 17/05/2027	\$700,000	547,386	1.70
A2 to A3 1.77% (0.72%)			
Pfizer 7.2% 15/03/2039	\$500,000	569,290	1.77
Baa1 to Baa2 6.14% (6.46%)			
AT&T 4.375% 14/09/2029	£500,000	591,040	1.83
AT&T 5.5% 15/03/2027	£250,000	305,108	0.95
McDonald's 5.875% 23/04/2032	£500,000	695,281	2.16
Verizon Communications 4.073% 18/06/2024	£350,000	386,397	1.20
		<u>1,977,826</u>	<u>6.14</u>

\* Grouped by credit rating - source: Interactive Data and Bloomberg.

\*\* Denotes a variable interest security.

## Portfolio statement (continued)

as at 30 April 2021

Investment	Nominal value or holding	Market value £	% of total net assets
Debt Securities* - North America (continued)			
Baa3 and below 5.98% (1.75%)			
AT&T 2.875% Perpetual**	€500,000	435,874	1.35
Ford Motor Credit 2.748% 14/06/2024	£400,000	403,360	1.25
Kraft Heinz Foods 4.125% 01/07/2027	£250,000	278,300	0.86
MPT Operating Partnership 3.375% 24/04/2030	£800,000	813,200	2.52
		<u>1,930,734</u>	<u>5.98</u>
Total debt securities - North America		<u>7,522,009</u>	<u>23.34</u>
Debt Securities* - Rest of the World 3.79% (6.06%)			
Aaa to Aa2 0.00% (1.80%)			
Baa1 to Baa2 2.00% (2.71%)			
BHP Billiton Finance 6.5% 22/10/2077**	£600,000	643,503	2.00
Baa3 and below 1.79% (1.55%)			
QBE Insurance Group 6.115% 24/05/2042**	£549,000	577,361	1.79
		<u>1,220,864</u>	<u>3.79</u>
Total debt securities - Rest of the World		<u>1,220,864</u>	<u>3.79</u>
Total debt securities		<u>31,439,806</u>	<u>97.54</u>
Forward Currency Contracts 0.12% (0.16%)			
Sell Australian dollar	-AUD 690,000	(384,969)	
Buy UK sterling	£383,242	383,242	
Expiry date 13 May 2021		<u>(1,727)</u>	<u>(0.01)</u>
Sell euro	-€2,950,000	(2,565,453)	
Buy UK sterling	£2,563,224	2,563,224	
Expiry date 13 May 2021		<u>(2,229)</u>	<u>(0.01)</u>
Sell US dollar	-\$8,525,000	(6,157,049)	
Buy UK sterling	£6,202,817	6,202,817	
Expiry date 13 May 2021		<u>45,768</u>	<u>0.14</u>
Forward currency contracts assets		45,768	0.14
Forward currency contracts liabilities		<u>(3,956)</u>	<u>(0.02)</u>
Total forward currency contracts		<u>41,812</u>	<u>0.12</u>
Investment assets		31,485,574	97.68
Investment liabilities		(3,956)	(0.02)
Portfolio of investments		<u>31,481,618</u>	<u>97.66</u>
Other net assets		754,349	2.34
Total net assets		<u>32,235,967</u>	<u>100.00</u>

All investments are listed on recognised stock exchanges or are approved securities within the meaning of the FCA rules unless otherwise stated.

Forward currency contracts are not listed on stock exchanges and are considered over-the-counter instruments.

The comparative figures in brackets are as at 30 April 2020.

\* Grouped by credit rating - source: Interactive Data and Bloomberg.

\*\* Denotes a variable interest security.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in a medium category because the price of its investments have risen or fallen to some extent. The category shown is not guaranteed to remain unchanged and may shift over time. Even the lowest category does not mean a risk-free investment.

The price of the Fund and any income from it can go down as well as up and is not guaranteed. Investors may not get back the amount invested. Past performance is not a guide to future performance.

Where the Fund invests in bonds, there is a risk the bond issuer may fail to meet its repayments. This is usually a greater risk for bonds that produce a higher level of income. Changes in interest rates, inflation and the creditworthiness of the bond issuer may also affect the bond's market value.

The Fund is entitled to use derivative instruments for Efficient Portfolio Management. Derivatives may not achieve their intended purpose. Their prices may move up or down significantly over relatively short periods of time which may result in losses greater than the amount paid. This could adversely impact the value of the Fund.

The organisation from which the Fund buys a derivative may fail to carry out its obligations, which could also cause losses to the Fund.

The Fund may invest in securities not denominated in sterling, the value of your investments may be affected by changes in currency exchange rates.

For further information please refer to the KIID.

For full details on risk factors for the Fund, please refer to the Prospectus.

There have been no changes to the risk and reward indicator in the year.

## Comparative table

The following disclosures give a unitholder an indication of the performance of a unit in the Fund. It also discloses the operating charges and direct transaction costs applied to each unit. Operating charges are those charges incurred in operating the Fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

	A Class Income			B Class Income		
	2021 p	2020 p	2019 p	2021 p	2020 p	2019 p
Change in net assets per unit						
Opening net asset value per unit	127.54	125.82	125.07	116.64	114.81	113.86
Return before operating charges	6.16	5.85	4.97	5.64	5.36	4.54
Operating charges	(1.46)	(1.38)	(1.34)	(0.80)	(0.75)	(0.71)
Return after operating charges *	4.70	4.47	3.63	4.84	4.61	3.83
Distributions <sup>^</sup>	(2.46)	(2.75)	(2.88)	(2.52)	(2.78)	(2.88)
Closing net asset value per unit	129.78	127.54	125.82	118.96	116.64	114.81
* after direct transaction costs of:	0.01	-	-	0.01	-	-
Performance						
Return after charges	3.69%	3.55%	2.90%	4.15%	4.02%	3.36%
Other information						
Closing net asset value (£)	3,739,828	4,216,422	329,006	18,163,259	21,910,061	25,863,517
Closing number of units	2,881,669	3,306,017 **	261,488	15,268,528	18,784,763 **	22,528,176
Operating charges <sup>^^</sup>	1.11%	1.08%	1.07%	0.66%	0.63%	0.62%
Direct transaction costs	0.01%	-	-	0.01%	-	-
Prices						
Highest unit price (p)	134.4	133.1	126.9	123.2	121.7	115.9
Lowest unit price (p)	127.3	120.0	122.7	116.5	109.8	111.9

<sup>^</sup> Rounded to 2 decimal places.

<sup>^^</sup> The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the Manager's periodic charge and the Investment Manager's fee which are included in the annual management charge, but also includes the costs for other services paid. It is indicative of the charges which the unit classes may incur in a year as it is calculated on historical data.

\*\* On 30 August 2019, SVS Brown Shipley Sterling Bond Fund merged with Smith & Williamson Fixed Interest Fund via a Scheme of Arrangement. As a result, A Class Income issued 7,312,931 new units at 131.72p per unit and B Class Income issued 1,411,949 new units at 120.30p per unit.

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

## Comparative table (continued)

	A Class Accumulation			B Class Accumulation		
	2021 p	2020 p	2019 p	2021 p	2020 p	2019 p
Change in net assets per unit						
Opening net asset value per unit	116.42	112.49	109.27	125.20	120.39	116.41
Return before operating charges	5.61	5.19	4.40	6.04	5.60	4.71
Operating charges	(1.34)	(1.26)	(1.18)	(0.86)	(0.79)	(0.73)
Return after operating charges*	4.27	3.93	3.22	5.18	4.81	3.98
Distributions <sup>^</sup>	(2.26)	(2.48)	(2.54)	(2.73)	(2.94)	(2.98)
Retained distributions on accumulation units <sup>^</sup>	2.26	2.48	2.54	2.73	2.94	2.98
Closing net asset value per unit	120.69	116.42	112.49	130.38	125.20	120.39
* after direct transaction costs of:	0.01	-	-	0.01	-	-
Performance						
Return after charges	3.67%	3.49%	2.95%	4.14%	4.00%	3.42%
Other information						
Closing net asset value (£)	2,369,275	3,191,688	493,250	7,963,605	8,198,364	7,649,019
Closing number of units	1,963,121	2,741,440 **	438,485	6,108,182	6,548,246 **	6,353,751
Operating charges <sup>^^</sup>	1.11%	1.08%	1.07%	0.66%	0.63%	0.62%
Direct transaction costs	0.01%	-	-	0.01%	-	-
Prices						
Highest unit price (p)	123.9	120.9	112.8	133.6	129.9	120.8
Lowest unit price (p)	116.2	108.9	108.3	125.0	117.1	115.7

<sup>^</sup> Rounded to 2 decimal places.

<sup>^^</sup> The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the Manager's periodic charge and the Investment Manager's fee which are included in the annual management charge, but also includes the costs for other services paid. It is indicative of the charges which the unit classes may incur in a year as it is calculated on historical data.

\*\* On 30 August 2019, SVS Brown Shipley Sterling Bond Fund merged with Smith & Williamson Fixed Interest Fund via a Scheme of Arrangement. As a result, A Class Accumulation issued 2,777,804 new units at 118.45p per unit and B Class Accumulation issued 808,811 new units at 126.95p per unit.

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

## Financial statements - SVS Sanlam Fixed Interest Fund

### Statement of total return for the year ended 30 April 2021

	Notes	2021		2020	
		£	£	£	£
Income:					
Net capital gains	2		890,831		383,197
Revenue	3	900,305		1,072,030	
Expenses	4	<u>(272,810)</u>		<u>(277,151)</u>	
Net revenue before taxation		627,495		794,879	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>627,495</u>		<u>794,879</u>
Total return before distributions			1,518,326		1,178,076
Distributions	6		(742,549)		(918,680)
Change in net assets attributable to unitholders from investment activities			<u>775,777</u>		<u>259,396</u>

### Statement of change in net assets attributable to unitholders for the year ended 30 April 2021

	2021		2020	
	£	£	£	£
Opening net assets attributable to unitholders		37,516,535		34,334,792
Unit exchange issue on in specie transfers		-	2,019,592	
Amounts receivable on issue of units	451,610		14,294,623	
Amounts payable on cancellation of units	<u>(6,740,177)</u>		<u>(13,648,747)</u>	
		(6,288,567)		2,665,468
Dilution levy		-		4,954
Change in net assets attributable to unitholders from investment activities		775,777		259,396
Retained distributions on accumulation units		223,696		245,842
Unclaimed distributions		8,526		6,083
Closing net assets attributable to unitholders		<u>32,235,967</u>		<u>37,516,535</u>

Balance sheet  
as at 30 April 2021

	Notes	2021 £	2020 £
Assets:			
Fixed assets:			
Investments		31,485,574	36,360,965
Current assets:			
Debtors	7	571,697	536,652
Cash and bank balances	8	965,585	956,993
Total assets		<u>33,022,856</u>	<u>37,854,610</u>
Liabilities:			
Investment liabilities		(3,956)	-
Creditors:			
Distribution payable		(113,341)	(157,342)
Other creditors	9	(669,592)	(180,733)
Total liabilities		<u>(786,889)</u>	<u>(338,075)</u>
Net assets attributable to unitholders		<u>32,235,967</u>	<u>37,516,535</u>

Notes to the financial statements  
for the year ended 30 April 2021

1. Accounting policies

The accounting policies are disclosed on pages 14 and 15.

2. Net capital gains	2021	2020
	£	£
Non-derivative securities - realised gains	141,298	456,823
Non-derivative securities - movement in unrealised gains / (losses)	206,388	(130,927)
Currency losses	(122,256)	(65,909)
Forward currency contracts	666,248	123,957
Transaction charges	(847)	(747)
Total net capital gains	<u>890,831</u>	<u>383,197</u>
3. Revenue	2021	2020
	£	£
Interest on debt securities	900,305	1,071,274
Bank and deposit interest	-	756
Total revenue	<u>900,305</u>	<u>1,072,030</u>
4. Expenses	2021	2020
	£	£
Payable to the Manager and associates		
Annual management charge	230,139	247,341
Registration fees	3,774	2,881
	<u>233,913</u>	<u>250,222</u>
Payable to the Trustee		
Trustee fees	<u>11,940</u>	<u>13,202</u>
Other expenses:		
Audit fee	13,080	8,520
Non-executive directors' fees	935	612
Safe custody fees	3,494	4,072
Bank interest	231	65
FCA fee	617	458
Listing fee	8,600	-
	<u>26,957</u>	<u>13,727</u>
Total expenses	<u>272,810</u>	<u>277,151</u>
5. Taxation	2021	2020
	£	£
<i>a. Analysis of the tax charge for the year</i>		
Total taxation (note 5b)	<u>-</u>	<u>-</u>

## Notes to the financial statements (continued)

for the year ended 30 April 2021

### 5. Taxation (continued)

#### b. Factors affecting the tax charge for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2020: 20%). The differences are explained below:

	2021	2020
	£	£
Net revenue before taxation	<u>627,495</u>	<u>794,879</u>
Corporation tax @ 20%	125,499	158,976
Effects of:		
Tax deductible interest distributions	(125,496)	(159,002)
Movement in short term timing differences	<u>(3)</u>	<u>26</u>
Total taxation (note 5a)	<u>-</u>	<u>-</u>

### 6. Distributions

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

	2021	2020
	£	£
Quarter 1 income distribution	131,443	169,281
Quarter 1 accumulation distribution	57,916	52,758
Interim income distribution	135,526	162,382
Interim accumulation distribution	59,551	59,817
Quarter 3 income distribution	121,541	170,799
Quarter 3 accumulation distribution	53,480	65,807
Final income distribution	113,341	157,342
Final accumulation distribution	<u>52,749</u>	<u>67,460</u>
	725,547	905,646
Equalisation:		
Amounts deducted on cancellation of units	17,859	43,857
Amounts added on issue of units	(839)	(30,749)
Net equalisation on conversions	<u>(18)</u>	<u>(74)</u>
Total net distributions	<u>742,549</u>	<u>918,680</u>

Reconciliation between net revenue and distributions:

Net revenue after taxation per Statement of total return	627,495	794,879
Undistributed revenue brought forward	81	211
Expenses paid from capital	115,070	123,671
Undistributed revenue carried forward	<u>(97)</u>	<u>(81)</u>
Distributions	<u>742,549</u>	<u>918,680</u>

Details of the distribution per unit are disclosed in the Distribution table.

### 7. Debtors

	2021	2020
	£	£
Amounts receivable on issue of units	273	214
Sales awaiting settlement	175,159	-
Accrued revenue	<u>396,265</u>	<u>536,438</u>
Total debtors	<u>571,697</u>	<u>536,652</u>

Notes to the financial statements (continued)  
for the year ended 30 April 2021

8. Cash and bank balances	2021	2020
	£	£
Bank balances	965,585	956,984
Cash on deposit	-	9
Total cash and bank balances	<u>965,585</u>	<u>956,993</u>
9. Other creditors	2021	2020
	£	£
Amounts payable on cancellation of units	140,724	150,659
Purchases awaiting settlement	495,697	-
Accrued expenses:		
Payable to the Manager and associates		
Annual management charge	<u>17,087</u>	<u>19,678</u>
Other expenses:		
Trustee fees	888	1,015
Safe custody fees	574	749
Audit fee	10,800	8,520
FCA fee	50	37
Listing fee	3,688	-
Transaction charges	<u>84</u>	<u>75</u>
	<u>16,084</u>	<u>10,396</u>
Total accrued expenses	<u>33,171</u>	<u>30,074</u>
Total other creditors	<u>669,592</u>	<u>180,733</u>

10. Commitments and contingent liabilities

At the balance sheet date there are no commitments or contingent liabilities.

11. Unit classes

The following reflects the change in units in issue in the year:

	A Class Income
Opening units in issue	3,306,017
Total units issued in the year	694
Total units cancelled in the year	(398,160)
Total units converted in the year	<u>(26,882)</u>
Closing units in issue	<u>2,881,669</u>
	A Class Accumulation
Opening units in issue	2,741,440
Total units issued in the year	26,797
Total units cancelled in the year	(679,753)
Total units converted in the year	<u>(125,363)</u>
Closing units in issue	<u>1,963,121</u>
	B Class Income
Opening units in issue	18,784,763
Total units issued in the year	304,005
Total units cancelled in the year	(3,849,600)
Total units converted in the year	<u>29,360</u>
Closing units in issue	<u>15,268,528</u>

Notes to the financial statements (continued)  
for the year ended 30 April 2021

11. Unit classes (continued)	B Class Accumulation
Opening units in issue	6,548,246
Total units issued in the year	36,710
Total units cancelled in the year	(593,211)
Total units converted in the year	116,437
Closing units in issue	<u>6,108,182</u>

For the year ended 30 April 2021, the annual management charge is as follows:

A Class Income	1.00%
A Class Accumulation	1.00%
B Class Income	0.55%
B Class Accumulation	0.55%

The annual management charge includes the Manager's periodic charge and the Investment Manager's fees.

Further information in respect of the return per unit is disclosed in the Comparative table.

On the winding up of a Fund all the assets of the Fund will be realised and apportioned to the unit classes in relation to the net asset value on the closure date. Unitholders will receive their respective share of the proceeds, net of liabilities and the expenses incurred in the termination in accordance with the FCA regulations. Each unit class has the same rights on winding up.

12. Related party transactions

Smith & Williamson Fund Administration Limited, as Manager is a related party due to its ability to act in respect of the operations of the Fund.

The Manager acts as principal in respect of all transactions of units in the Fund. The aggregate monies received and paid through the creation and cancellation of units are disclosed in the Statement of change in net assets attributable to unitholders of the Fund.

Amounts payable to the Manager and its associates are disclosed in note 4. The amount due to the Manager and its associates at the balance sheet date is disclosed in note 9.

13. Events after the balance sheet date

Subsequent to the year end, the net asset value per A class income has increased from 129.8p to 131.5p, B class income has increased from 119.0 to 120.7p, A class accumulation has increased from 120.7p to 122.9p and the B class accumulation has increased from 130.4p to 133.0p as at 26 August 2021. This movement takes into account routine transactions but also reflects the market movements of recent months.

14. Transaction costs

a Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and security exchanges; and transfer taxes and duties.

Commission is a charge which is deducted from the proceeds of the sale of securities and added to the cost of the purchase of securities. This charge is a payment to agents, advisers, brokers and dealers in respect of their services in executing the trades.

Tax is payable on the purchase of securities in the United Kingdom. It may be the case that 'other taxes' will be charged on the purchase of securities in countries other than the United Kingdom.

Notes to the financial statements (continued)  
for the year ended 30 April 2021

14. Transaction costs (continued)

a Direct transaction costs (continued)

The total purchases and sales and the related direct transaction costs incurred in these transactions are as follows:

	Purchases before transaction costs		Commission		Purchases after transaction costs
	£	£	%	£	
2021					
Bonds	11,726,301	895	0.01%	11,727,196	
Total	11,726,301	895	0.01%	11,727,196	

	Purchases before transaction costs		Commission		Purchases after transaction costs
	£	£	%	£	
2020					
Bonds	20,443,138	2	0.00%	20,443,140	
Total	20,443,138	2	0.00%	20,443,140	

There are no inspecie purchases in 2021

	In specie purchases before transaction costs		Commission		In specie purchases after transaction costs
	£	£	%	£	
2020					
Bonds*	15,648,015	-	-	15,648,015	
Total	15,648,015	-	-	15,648,015	

	Sales before transaction costs		Commission		Sales after transaction costs
	£	£	%	£	
2021					
Bonds	16,541,111	(2,149)	0.01%	16,538,962	
Total	16,541,111	(2,149)	0.01%	16,538,962	

	Sales before transaction costs		Commission		Sales after transaction costs
	£	£	%	£	
2020					
Bonds	20,138,055	(2)	0.00%	20,138,053	
Total	20,138,055	(2)	0.00%	20,138,053	

\* No direct transaction costs were incurred in these transactions.

## Notes to the financial statements (continued)

for the year ended 30 April 2021

### 14. Transaction costs (continued)

#### a Direct transaction costs (continued)

##### Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the Fund's average net asset value in the year:

		% of average net asset value
2021	£	
Commission	3,044	0.01%

		% of average net asset value
2020	£	
Commission	4	0.00%

#### b Average portfolio dealing spread

The average portfolio dealing spread is calculated as the difference between the bid and offer value of the portfolio as a percentage of the offer value.

The average portfolio dealing spread of the investments at the balance sheet date was 0.58% (2020: 0.86%).

### 15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Prospectus, the following are accepted by the Manager as being the main risks from the Fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the Manager's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the Manager, which sets the risk appetite and ensures continued compliance with the management

#### a Market risk

Market risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices and comprise three elements: other price risk, currency risk and interest rate risk.

##### (i) Other price risk

The Fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The main elements of the portfolio of investments exposed to this risk are equities and collective investment schemes. As the Fund had no exposure to these investment, there is no exposure to other price risk within the Fund.

This risk is generally regarded as consisting of two elements: stock specific risk and market risk. Through these two factors, the Fund is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objective and policy.

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the Fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

##### (ii) Currency risk

Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. These fluctuations can also affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

Forward currency contracts may be used to manage the portfolio exposure to currency movements.

## Notes to the financial statements (continued)

for the year ended 30 April 2021

### 15. Risk management policies (continued)

#### a Market risk (continued)

#### (ii) Currency risk (continued)

The foreign currency risk profile of the Fund's financial instruments and cash holdings at the balance sheet date is as follows:

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2021			
Australian dollar	374,505	12,308	386,813
Euro	2,555,050	36,718	2,591,768
US dollar	6,123,579	55,194	6,178,773
Total foreign currency exposure	<u>9,053,134</u>	<u>104,220</u>	<u>9,157,354</u>
	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
	£	£	£
2020			
Euro	3,465,560	-	3,465,560
US dollar	6,924,715	-	6,924,715
Total foreign currency exposure	<u>10,390,275</u>	<u>-</u>	<u>10,390,275</u>

At 30 April 2021, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the net assets attributable to unitholders of the Fund would increase or decrease by approximately £2,692 (2020: £8,946).

#### (iii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes.

During the year the Fund's direct exposure to interest rates consisted of cash and bank balances and interest bearing securities.

The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

The value of interest bearing securities may be affected by changes in the interest rate environment, either globally or locally.

At 30 April 2021, if interest rates increased or decreased by 25 basis points, with all other variables remaining constant, then the net assets attributable to unitholders of the Fund would increase or decrease by approximately £462,015 (2020: £514,500).

The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

## Notes to the financial statements (continued)

for the year ended 30 April 2021

### 15. Risk management policies (continued)

#### a Market risk (continued)

##### (iii) Interest rate risk (continued)

The interest rate risk profile of financial assets and liabilities at the balance sheet date is as follows:

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial assets	Non-interest bearing financial assets	Non-interest bearing financial liabilities	Total
2021	£	£	£	£	£	£
Australian dollar	19,429	-	356,803	12,308	(1,727)	386,813
Euro	1,680,729	-	876,550	210,608	(176,119)	2,591,768
UK sterling	9,927,949	-	13,420,352	339,355	(609,043)	23,078,613
US dollar	1,487,152	-	4,636,427	55,194	-	6,178,773
	<u>13,115,259</u>	<u>-</u>	<u>19,290,132</u>	<u>617,465</u>	<u>(786,889)</u>	<u>32,235,967</u>

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial assets	Non-interest bearing financial assets	Non-interest bearing financial liabilities	Total
2020	£	£	£	£	£	£
Euro	2,728,213	-	718,571	18,776	-	3,465,560
UK sterling	10,445,868	-	16,481,815	536,652	(338,075)	27,126,260
US dollar	2,538,850	-	4,343,826	42,039	-	6,924,715
	<u>15,712,931</u>	<u>-</u>	<u>21,544,212</u>	<u>597,467</u>	<u>(338,075)</u>	<u>37,516,535</u>

#### b Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.

The Trustee has appointed the custodian to provide custody services for the assets of the Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

In addition to the interest rate risk, bond investments are exposed to issuer risk which reflects the ability for the bond issuer to meet its obligations to pay interest and return the capital on the redemption date. Change in issuer risk will change the value of the investments and is dealt with further in note 15a. The majority of debt securities held within the portfolio are investment grade bonds. These are made across a variety of industry sectors, and geographical markets, so as to avoid concentrations of credit risk. A breakdown is provided in the Portfolio statement. The credit quality of the debt securities is disclosed in the Portfolio statement.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the Fund of default.

## Notes to the financial statements (continued)

for the year ended 30 April 2021

### 15. Risk management policies (continued)

#### c Liquidity risk

A significant risk is the cancellation of units which investors may wish to sell and that securities may have to be sold in order to fund such cancellations if insufficient cash is held at the bank to meet this obligation. If there were significant requests for the redemption of units at a time when a large proportion of the portfolio of investments were not easily tradable due to market volumes or market conditions, the ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in units in the Fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded share capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

To reduce liquidity risk the Manager will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the Fund's assets consist of readily realisable securities. This is monitored on a monthly basis and reported to the Risk Committee together with historical outflows of the Fund.

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the Fund to meet large redemptions (50% of the net asset value and 80% of the net asset value), while still being able to adhere to its objective guidelines and the FCA investment borrowing regulations.

All of the financial liabilities are payable on demand. In the case of forward foreign currency contracts these are payable in less than one year.

#### d 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.

To ensure this, the fair value pricing committee is a body appointed by the Manager to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the Fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

	Investment assets 2021	Investment liabilities 2021
	£	£
Basis of valuation		
Quoted prices	3,235,964	-
Observable market data	28,249,610	(3,956)
Unobservable data	-	-
	<u>31,485,574</u>	<u>(3,956)</u>
	Investment assets 2020	Investment liabilities 2020
	£	£
Basis of valuation		
Quoted prices	2,070,175	-
Observable market data	34,290,790	-
Unobservable data	-	-
	<u>36,360,965</u>	<u>-</u>

No securities in the portfolio of investments are valued using valuation techniques.

#### e Assets subject to special arrangements arising from their illiquid nature

There are no assets held in the portfolio of investments which are subject to special arrangements arising from their illiquid nature.

## Notes to the financial statements (continued)

for the year ended 30 April 2021

### 15. Risk management policies (continued)

#### f Derivatives

The Fund may employ derivatives with the aim of reducing the Fund's risk profile, reducing costs or generating additional capital or revenue, in accordance with Efficient Portfolio Management.

The Manager monitors that any exposure is covered globally to ensure adequate cover is available to meet the Fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

In the year there was direct exposure to derivatives. On a daily basis, exposure is calculated in UK sterling using the commitment approach with netting applied where appropriate. The total global exposure figure is divided by the net asset value of the Fund to calculate the percentage global exposure. Global exposure is a risk mitigation technique that monitors the overall commitment to derivatives in the Fund at any given time and may not exceed 100% of the net asset value of the property of the Fund.

For certain derivative transactions cash margins may be required to be paid to the brokers with whom the trades were executed and settled. These balances are subject to daily reconciliations and are held by the broker in segregated cash accounts that are afforded client money protection.

#### (i) Counterparties

Transactions in securities give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the Fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the Fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The Fund may transact in derivative contracts which potentially exposes the Fund to counterparty risk from the counterparty not settling their side of the contract. Transactions involving derivatives are entered into only with investment banks and brokers with appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Trustee.

At the balance sheet date, there are no securities in the portfolio of investments subject to a repurchase agreement.

#### (ii) Leverage

There have been no leveraging arrangements in the year.

#### (iii) Global exposure

Global exposure is a measure designed to limit the leverage generated by a fund through the use of financial derivative instruments, including derivatives with embedded assets.

At the balance sheet date the global exposure is as follows:

	Gross exposure value £	% of the total net asset value
Investment		
Forward Currency Contracts		
Value of short position - Australian dollar	384,969	1.19%
Value of short position - euro	2,565,453	7.96%
Value of short position - US dollar	6,157,049	19.10%

There have been no collateral arrangements in the year.

## Distribution table

for the year ended 30 April 2021

Distributions on A class income in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
20.09.20	group 1	quarter 1	0.607	-	0.607	0.754
20.09.20	group 2	quarter 1	0.129	0.478	0.607	0.754
20.12.20	group 1	interim	0.647	-	0.647	0.610
20.12.20	group 2	interim	0.265	0.382	0.647	0.610
20.03.21	group 1	quarter 3	0.592	-	0.592	0.679
20.03.21	group 2	quarter 3	0.244	0.348	0.592	0.679
20.06.21	group 1	final	0.611	-	0.611	0.708
20.06.21	group 2	final	0.290	0.321	0.611	0.708

### Equalisation

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

### Quarter 1 distribution:

Group 1 Units purchased before 1 May 2020

Group 2 Units purchased 1 May 2020 to 31 July 2020

### Interim distribution:

Group 1 Units purchased before 1 August 2020

Group 2 Units purchased 1 August 2020 to 31 October 2020

### Quarter 3 distribution:

Group 1 Units purchased before 1 November 2020

Group 2 Units purchased 1 November 2020 to 31 January 2021

### Final distribution:

Group 1 Units purchased before 1 February 2021

Group 2 Units purchased 1 February 2021 to 30 April 2021

**Distribution table (continued)**  
*for the year ended 30 April 2021*

Distributions on B class income units in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
20.09.20	group 1	quarter 1	0.623	-	0.623	0.755
20.09.20	group 2	quarter 1	0.121	0.502	0.623	0.755
20.12.20	group 1	interim	0.660	-	0.660	0.622
20.12.20	group 2	interim	0.298	0.362	0.660	0.622
20.03.21	group 1	quarter 3	0.611	-	0.611	0.689
20.03.21	group 2	quarter 3	0.419	0.192	0.611	0.689
20.06.21	group 1	final	0.627	-	0.627	0.713
20.06.21	group 2	final	0.290	0.337	0.627	0.713

**Equalisation**

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

**Quarter 1 distribution:**

Group 1                   Units purchased before 1 May 2020  
Group 2                   Units purchased 1 May 2020 to 31 July 2020

**Interim distribution:**

Group 1                   Units purchased before 1 August 2020  
Group 2                   Units purchased 1 August 2020 to 31 October 2020

**Quarter 3 distribution:**

Group 1                   Units purchased before 1 November 2020  
Group 2                   Units purchased 1 November 2020 to 31 January 2021

**Final distribution:**

Group 1                   Units purchased before 1 February 2021  
Group 2                   Units purchased 1 February 2021 to 30 April 2021

**Distribution table (continued)**  
for the year ended 30 April 2021

Distributions on A class accumulation in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
20.09.20	group 1	quarter 1	0.554	-	0.554	0.674
20.09.20	group 2	quarter 1	0.117	0.437	0.554	0.674
20.12.20	group 1	interim	0.592	-	0.592	0.549
20.12.20	group 2	interim	0.363	0.229	0.592	0.549
20.03.21	group 1	quarter 3	0.546	-	0.546	0.614
20.03.21	group 2	quarter 3	0.054	0.492	0.546	0.614
20.06.21	group 1	final	0.565	-	0.565	0.643
20.06.21	group 2	final	0.223	0.342	0.565	0.643

**Equalisation**

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

**Accumulation distributions**

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

**Quarter 1 distribution:**

Group 1                   Units purchased before 1 May 2020  
Group 2                   Units purchased 1 May 2020 to 31 July 2020

**Interim distribution:**

Group 1                   Units purchased before 1 August 2020  
Group 2                   Units purchased 1 August 2020 to 31 October 2020

**Quarter 3 distribution:**

Group 1                   Units purchased before 1 November 2020  
Group 2                   Units purchased 1 November 2020 to 31 January 2021

**Final distribution:**

Group 1                   Units purchased before 1 February 2021  
Group 2                   Units purchased 1 February 2021 to 30 April 2021

**Distribution table (continued)**  
for the year ended 30 April 2021

Distributions on B class accumulation units in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
20.09.20	group 1	quarter 1	0.668	-	0.668	0.792
20.09.20	group 2	quarter 1	0.444	0.224	0.668	0.792
20.12.20	group 1	interim	0.712	-	0.712	0.657
20.12.20	group 2	interim	0.452	0.260	0.712	0.657
20.03.21	group 1	quarter 3	0.664	-	0.664	0.730
20.03.21	group 2	quarter 3	0.232	0.432	0.664	0.730
20.06.21	group 1	final	0.682	-	0.682	0.761
20.06.21	group 2	final	0.334	0.348	0.682	0.761

**Equalisation**

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

**Accumulation distributions**

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Group 1 Units purchased before 1 August 2020  
Group 2 Units purchased 1 August 2020 to 31 October 2020

**Quarter 3 distribution:**

Group 1 Units purchased before 1 November 2020  
Group 2 Units purchased 1 November 2020 to 31 January 2021

**Final distribution:**

Group 1 Units purchased before 1 February 2021  
Group 2 Units purchased 1 February 2021 to 30 April 2021

## Remuneration

### Remuneration code disclosure

The remuneration committee is responsible for setting remuneration policy for all partners, directors and employees within the Smith & Williamson Group including individuals designated as Material Risk Takers under the Remuneration Code. The remuneration policy is designed to be compliant with the Code and provides a framework to attract, retain, motivate and reward partners, directors and employees. The overall policy is designed to promote the long-term success of the group and to support prudent risk management, with particular attention to conduct risk.

### Remuneration committee

The remuneration committee report contained in pages 46-49 of the Smith & Williamson Report and Financial Statements for the year ended 30 April 2020 (available <https://smithandwilliamson.com/en/about-us/financial-reports/>) includes details on the remuneration policy. The remuneration committee comprises five non-executive directors and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met seven times during 2019-20.

### Remuneration policy

The main principles of the remuneration policy are:

- to align remuneration with the strategy and performance of the business
- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices
- to foster and support conduct and behaviours which are in line with our culture and values
- to maintain a sound risk management framework
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking
- to comply with all relevant regulatory requirements
- to align incentive plans with the business strategy and shareholder interests.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy. As part of a “balanced scorecard” approach to variable remuneration non-financial criteria including, but not limited to, compliance and risk issues, client management, supervision, leadership and teamwork are considered alongside financial performance.

### Remuneration systems

The committee reviews all partners and directors fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a deferred option plan, Equity Matching Plan, Matching Share Plan, Executive Long Term Incentive Plan and an Investment Management Long Term Incentive Plan.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of employees typically comprises of a salary with benefits including pension contribution, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners, directors and associate directors are also eligible to participate, at the invitation of the committee, in the equity incentive plans described above.

When setting variable remuneration for the executive directors, the committee considers overall business profit for the group and divisions, achievement of both financial and non-financial objectives (including adherence to the principles of treating customers fairly, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the board in respect of the year ended 30 April 2020. The committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

### Aggregate quantitative information

The total amount of remuneration paid by Smith & Williamson Fund Administration Limited (SWFAL) is nil as SWFAL has no employees. However, a number of employees have remuneration costs recharged to SWFAL and the annualised remuneration for these 70 employees is £3,099,931 of which £2,863,541 is fixed remuneration. This is based on the annualised salary and benefits for those identified as working in SWFAL as at 30 April 2020. Any variable remuneration is awarded for the year ending 30 April 2020. This information excludes any senior management or other Material Risk Takers (MRTs) whose remuneration information is detailed on the next page.

## Remuneration (continued)

### Aggregate quantitative information (continued)

Smith & Williamson reviews its MRTs at least annually. These individuals are employed by and provide services to other companies in the Smith & Williamson group. It is difficult to apportion remuneration for these individuals in respect of their duties to SWFAL. For this reason, the aggregate total remuneration awarded for the financial year 2019-20 for senior management and other MRTs detailed below has not been apportioned.

Table to show the aggregate remuneration split by Senior Management and other MRTs for SWFAL	Financial Year ending 30 April 2020				
	Fixed £'000	Variable		Total £'000	No. MRTs
		Cash £'000	Equity £'000		
Senior Management	1,846	2,411	-	4,257	9
Other MRTs	1,222	928	-	2,150	9
Total	3,068	3,339	-	6,407	18

### Investment Manager

The Manager delegates the management of the Fund's portfolio of investments to Sanlam Investments UK Limited and pays to Sanlam Investments UK Limited, out of the Manager's annual management charge, a monthly fee calculated on the total value of the portfolio of investments at each valuation point. Sanlam Investments UK Limited are compliant with the Capital Requirements Directive regarding remuneration and therefore Sanlam Investments UK Limited staff are covered by remuneration regulatory requirements.

## Further information

### Distributions and reporting dates

Where net revenue is available it will be distributed/allocated quarterly on 20 June (final), 20 September (quarter 1), 20 December (interim) and 20 March (quarter 3). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 May	final
	1 August	quarter 1
	1 November	interim
	1 February	quarter 3

Reporting dates:	30 April	annual
	31 October	interim

### Buying and selling units

The property of the Fund is valued at 12 noon on every business day, with the exception of any bank holiday in England and Wales or the last Business Day prior to those days annually, where the valuation may be carried out at a time agreed in advance between the Manager and the Trustee; and prices of units are calculated as at that time. The Manager reserves the right to revalue the Fund at any time, at its discretion. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

The minimum initial investment and holding in A class income and A class accumulation units is £1,000. The minimum initial investment and holding in B class income and B class accumulation units is £250,000. The subsequent minimum investment for all unit classes is £500. The Manager reserves the right to terminate investments where the value is less than the minimum investment. The Manager may exceptionally, at his discretion, waive such values from time to time.

A preliminary charge of 5% of the value of A class units issued is included in the price. There is no initial charge in B class units.

Prices of units and the estimated yield of the unit classes are published on the following website: [www.trustnet.com](http://www.trustnet.com) or may be obtained by calling 0141 222 1151.

### Benchmark

Unitholders may compare the performance of the Trust against the IA Sterling Corporate Bond Sector.

Comparison of the Trust's performance against the IA Sterling Corporate Bond Sector will give unitholders an indication of how the Trust is performing against other similar funds in this peer group sector.

## Appointments

### Manager and Registered office

St Vincent St Fund Administration (a trading name of Smith & Williamson Fund Administration Limited)  
25 Moorgate  
London EC2R 6AY  
Telephone: 020 7131 4000  
Authorised and regulated by the Financial Conduct Authority

### Administrator and Registrar

St Vincent St Fund Administration (a trading name of Smith & Williamson Fund Administration Limited)  
206 St. Vincent Street  
Glasgow G2 5SG  
Telephone: 0141 222 1151 (Registration)  
0141 222 1150 (Dealing)  
Authorised and regulated by the Financial Conduct Authority

### Directors of the Manager

Brian McLean  
James Gordon  
Andrew Baddeley - appointed 12 March 2021  
David Cobb - resigned 25 May 2021  
Kevin Stopps - resigned 11 May 2021

### Independent Non-Executive Directors of the Manager

Dean Buckley  
Linda Robinson  
Victoria Muir

### Non-Executive Directors of the Manager

Paul Wyse  
Kevin Stopps - appointed 11 May 2021

### Investment Manager - to 29 January 2021

Smith & Williamson Investment Management LLP  
25 Moorgate  
London EC2R 6AY  
Authorised and regulated by the Financial Conduct Authority

### Investment Manager - from 30 January 2021

Sanlam Investments UK Limited  
Monument Place  
24 Monument Street  
London EC3R 8AJ  
Authorised and regulated by the Financial Conduct Authority

### Trustee

NatWest Trustee and Depositary Services Limited  
House A, Floor 0  
Gogarburn  
175 Glasgow Road  
Edinburgh EH12 1HQ  
Authorised and regulated by the Financial Conduct Authority

### Auditor

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD