

PHOENIX UNIT TRUST MANAGERS

MANAGER'S ANNUAL REPORT

For the year: 1 February 2023 to 31 January 2024

PUTM BOTHWELL STERLING GOVERNMENT BOND FUND



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*These collectively comprise the Authorised Fund Manager's Report.

Investment review

Dear Investor

Welcome to the PUTM Bothwell Sterling Government Bond Fund annual report for the 12 months from 31 January 2023 to 31 January 2024.

Performance Review

The PUTM Bothwell Sterling Government Bond Fund delivered -1.13% over the review period. (Source: Factset). This was in line with its benchmark index, which returned -1.13%. (Source: Factset, FTSE Actuaries UK Conventional Gilts All Stocks Index, Total Return in GBP terms for 12 months to 31/01/24).

In the table below, you can see how the Fund performed against its benchmark index over the last five discrete one-year periods.

Standardised Past Performance

	Jan 23-24 % growth	Jan 22-23 % growth	Jan 21-22 % growth	Jan 20-21 % growth	Jan 19-20 % growth
PUTM Bothwell Sterling Government Bond Fund	-1.13	-18.78	-7.25	2.80	9.52
Benchmark Index	-1.13	-18.76	-7.23	2.80	9.52

Source: Fund performance: Factset, Gross of AMC, in GBP, based upon the movement in the Cancellation Price from 31 January 2023 to 31 January 2024. Benchmark Index performance: FTSE Actuaries UK Conventional Gilts All Stocks Index, Total Return in GBP terms from 31 January 2023 to 31 January 2024, in GBP

Past performance is not a guide to future performance.

The value of units and the income from them can go down as well as up and is not guaranteed. You may not get back the full amount invested.

Please note that all past performance figures are calculated without taking the initial charge into account.

Investment review

Market Review

The review period for global government bonds, particularly in the UK, was marked by challenges. Noteworthy market volatility caused fluctuations in bond prices, primarily due to the evolving stance of global central banks. Notably, the Bank of England (BoE) exhibited a more hawkish outlook, contributing to the pressure on bond prices.

Over the first quarter of 2023, global government bonds, particularly UK government bonds (Gilts), faced persistent volatility. The year started strong with Gilt yields sharply declining in January on speculation of central banks potentially concluding rate hikes. This was swiftly reversed in February due to signs of entrenched inflation, resulting in higher yields. By February end, most benchmark yields exceeded 2022 levels. Then in March, the market's focus shifted to concerns over the resilience of the global banking sector following the failure of Silicon Valley Bank in the US when regional bank shares came under pressure. Concerns then moved across the Atlantic, resulting in a shotgun takeover of Credit Suisse by domestic rival UBS. While the banking sector issues were gripping markets, inflationary pressures remained, complicating issues for central banks. Core eurozone inflation continued to accelerate, from 5.3% year on year in January to 5.6% in February, driven by price rises in the services sector. UK inflation was significantly higher than expected, calling into the question the smooth downtrend in inflation envisaged by the BoE Monetary Policy Committee. Core consumer price inflation printed at 6.2% – four tenths ahead of expectations. During the month, both the BoE and Federal Reserve (Fed) opted for 25 basis point (bps) rate hikes. March ended with 10-year Gilts yielding 3.5% down from 3.7% at the end of 2022.

In the following quarter, concerns about resurgent inflation, particularly in the UK, led to higher bond yields amid moderate economic data. UK Gilts faced a sell-off due to the UK Consumer Prices Index (CPI) reaching 8.7%. Despite April's tranquility in global bond markets, persistent worries about banking issues and inflation lingered. Volatility resurfaced in May as a result of First Republic Bank's failure in the US, which led JP Morgan to acquire its assets. Concerns over financial turmoil and inflation caused bond yields to spike. Meanwhile, the BoE to increased rates by another 25bps. In June, the US and Europe displayed softened economic activity, while the UK stood out with wage inflation surpassing expectations and an unexpected decline in unemployment levels. Inflation reports confirmed the UK's consecutive monthly inflation surpassing expectations and ranking highest among G7 nations. The BoE then raised rates again by 50bps to 5%, contrary to the anticipated 25bps. Gilts remained under pressure, with 10-year yields surging from 3.5% in March to 4.4% at the end of June.

In the third quarter, mounting inflation concerns drove Gilt market activity. The BoE's unexpected 50bps June rate hike pushed 10-year Gilt yields to 4.65%, with a projected 6.50% terminal rate. Yet, as the month advanced, markets stabilised on easing inflation hopes linked to June's 7.9% inflation rate, the lowest since March 2022. Bond yields decreased across the curve. Meanwhile, policy tightening by central banks began to have more of an impact on economic growth in August. Purchasing Managers' Index (PMI) data showed a rapid slowdown in services, while the US composite index fell to 50.4 in from 52.0 in July. In Europe, the German composite PMI declined for the fourth month in a row, and the overall eurozone composite came in at 47.0, where a reading of below 50 indicates contraction. The UK PMIs showed the composite at its lowest levels

since the January 2021 Covid-19 lockdown. While August was a quiet month for central bank meetings, the BoE hiked interest rates by 25 bps. September's US non-farms payroll report revealed disappointing jobs data, with the unemployment rate rising to 3.8%. There was a global move higher in yields, and energy prices moved higher, too, driven by supply cuts.

The onset of hostilities in the Middle East led to significant market uncertainty at the beginning of October. Fears of escalation and rising oil prices plagued the economic landscape. Fuel prices kept UK inflation elevated above consensus at 6.7% year on year, while the core figure fell to 6.1%. BoE communications in October reiterated that interest rates will stay higher for longer. At its November meeting, as widely anticipated, the BoE held rates at 5.25%, with a 6-3 vote delivering a somewhat hawkish tone. But while the central bank continued to deliver cautious messaging, the market was shifting towards a consensus that the interest rate-hiking cycle was over. During December, Gilts outperformed their European counterparts. Once more, the BoE held interest rates at 5.25%, while reiterating its prior messaging of "sufficiently restrictive for sufficiently long". While the tone was perhaps more hawkish than the market had expected, the messaging was essentially unchanged. Inflation concerns were aired, and Governor Bailey stated that there was "still some way to go" to curb UK inflation. He added that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures".

While December 2023 ended strongly for government bonds, January 2024 brought a retracement. A combination of heavy bond supply, and economic data both in the UK and US which did not fit the narrative of aggressive rate cuts early in 2024, resulted in Gilt yields moving upwards throughout the month. In the UK, inflation edged slightly higher, but it was still below the BoE forecast. The PMI continued to edge higher, but in contrast, retail sales were poor. Thus, the aggressive monetary policy tightening has had an impact, and it is now a question of when – not if – the BoE cuts rates. The UK 10-Year Bond yield ended January 2024 below 3.9%.

Fund Review

The Fund performed in line with its benchmark over the 12-month period. Tracking error was negligible/minimal.

Fund activity was restricted to managing cash inflows and outflows, matching index events and portfolio rebalancing. All activity was undertaken to ensure that Fund returns were in line with the benchmark, as per the objective. No active risk positions were taken.

Market Outlook

At the end of 2023, UK markets were less dovish than US and EU counterparties in predicting a 34% chance of an early cut from the BoE by March. Nevertheless, expectations have shifted towards the view that the Fed, European Central Bank and BoE have finished their hiking cycles, with markets now looking for the first cuts.

Although the outlook for bonds remains positive, some caution appears prudent. The first major political event of the year in the UK is the budget announcement, which will take place in early March. Finally, on the political front, the UK will go to the polls in 2024. Prime Minister Sunak was eager to talk down the chances of a spring election. Therefore, we will continue to exercise caution.

Portfolio of investments (unaudited)

Investments held at 31 January 2024

Holding	Investment	Market value £000	Percentage of total net assets %
	Government Bonds (31/01/23 - 99.18%)		99.50
£14,647,407	UK Treasury 0.125% 30/01/2026	13,587	2.26
£11,952,000	UK Treasury 0.125% 31/01/2028	10,391	1.73
£15,230,600	UK Treasury 0.25% 31/01/2025	14,596	2.42
£14,703,600	UK Treasury 0.25% 31/07/2031	11,410	1.90
£13,475,700	UK Treasury 0.375% 22/10/2026	12,284	2.04
£14,008,800	UK Treasury 0.375% 22/10/2030	11,308	1.88
£10,318,100	UK Treasury 0.5% 31/01/2029	8,848	1.47
£10,167,500	UK Treasury 0.5% 22/10/2061	3,101	0.52
£18,991,100	UK Treasury 0.625% 07/06/2025	18,085	3.00
£14,430,000	UK Treasury 0.625% 31/07/2035	9,994	1.66
£12,903,800	UK Treasury 0.625% 22/10/2050	5,302	0.88
£16,094,200	UK Treasury 0.875% 22/10/2029	13,842	2.30
£10,135,300	UK Treasury 0.875% 31/07/2033	7,766	1.29
£8,397,800	UK Treasury 0.875% 31/01/2046	4,244	0.71
£13,341,900	UK Treasury 1% 22/04/2024	13,224	2.20
£13,366,800	UK Treasury 1% 31/01/2032	10,859	1.80
£8,238,800	UK Treasury 1.125% 31/01/2039	5,407	0.90
£4,909,660	UK Treasury 1.125% 22/10/2073	1,841	0.31
£16,178,900	UK Treasury 1.25% 22/07/2027	14,897	2.47
£13,125,547	UK Treasury 1.25% 22/10/2041	8,171	1.36
£11,080,200	UK Treasury 1.25% 31/07/2051	5,525	0.92
£17,623,300	UK Treasury 1.5% 22/07/2026	16,668	2.77
£10,339,946	UK Treasury 1.5% 22/07/2047	5,939	0.99
£6,286,400	UK Treasury 1.5% 31/07/2053	3,277	0.54
£14,002,800	UK Treasury 1.625% 22/10/2028	12,808	2.13
£9,923,300	UK Treasury 1.625% 22/10/2054	5,305	0.88
£9,760,400	UK Treasury 1.625% 22/10/2071	4,632	0.77
£12,418,500	UK Treasury 1.75% 07/09/2037	9,369	1.56
£12,086,700	UK Treasury 1.75% 22/01/2049	7,221	1.20
£10,988,567	UK Treasury 1.75% 22/07/2057	5,968	0.99
£13,608,000	UK Treasury 2% 07/09/2025	13,142	2.18
£7,523,462	UK Treasury 2.5% 22/07/2065	4,896	0.81
£13,704,979	UK Treasury 2.75% 07/09/2024	13,539	2.25
£13,608,900	UK Treasury 3.25% 31/01/2033	13,050	2.17
£11,062,591	UK Treasury 3.25% 22/01/2044	9,360	1.56
£14,323,100	UK Treasury 3.5% 22/10/2025	14,146	2.35
£10,920,880	UK Treasury 3.5% 22/01/2045	9,546	1.59
£8,332,084	UK Treasury 3.5% 22/07/2068	7,000	1.16
£8,329,400	UK Treasury 3.75% 29/01/2038	7,959	1.32
£10,214,709	UK Treasury 3.75% 22/07/2052	9,078	1.51
£9,570,227	UK Treasury 3.75% 22/10/2053	8,459	1.41
£10,196,118	UK Treasury 4% 22/01/2060	9,492	1.58
£3,559,300	UK Treasury 4% 22/10/2063	3,303	0.55
£12,211,100	UK Treasury 4.125% 29/01/2027	12,300	2.04
£13,180,400	UK Treasury 4.25% 07/12/2027	13,423	2.23
£16,562,619	UK Treasury 4.25% 07/06/2032	17,202	2.86
£11,935,300	UK Treasury 4.25% 07/03/2036	12,213	2.03

Portfolio of investments (unaudited)

Investments held at 31 January 2024

Holding	Investment	Market value £000	Percentage of total net assets %
	Government Bonds (continued)		
£9,333,343	UK Treasury 4.25% 07/09/2039	9,323	1.55
£10,084,703	UK Treasury 4.25% 07/12/2040	10,017	1.66
£9,478,416	UK Treasury 4.25% 07/12/2046	9,217	1.53
£8,248,503	UK Treasury 4.25% 07/12/2049	7,987	1.33
£10,915,072	UK Treasury 4.25% 07/12/2055	10,575	1.76
£1,772,100	UK Treasury 4.375% 31/07/2054	1,744	0.29
£8,126,300	UK Treasury 4.5% 07/06/2028	8,376	1.39
£13,125,800	UK Treasury 4.5% 07/09/2034	13,790	2.29
£10,983,135	UK Treasury 4.5% 07/12/2042	11,174	1.87
£5,836,300	UK Treasury 4.625% 31/01/2034	6,197	1.03
£16,938,061	UK Treasury 4.75% 07/12/2030	18,057	3.00
£10,206,855	UK Treasury 4.75% 07/12/2038	10,829	1.80
£4,400,300	UK Treasury 4.75% 22/10/2043	4,602	0.76
£14,475,000	UK Treasury 5% 07/03/2025	14,542	2.42
£7,707,378	UK Treasury 6% 07/12/2028	8,506	1.37
	Money Markets (31/01/23 – 1.16%)		2.28
£13,715	Aberdeen Standard Liquidity Fund (Lux) - Seabury Sterling 3 Fund Class Z-1~	13,715	2.28
	Portfolio of investments	612,628	101.78
	Net other liabilities	(10,729)	(1.78)
	Net assets	601,899	100.00

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

~SICAV (open ended investment scheme registered outside the UK).

Credit Ratings	£000	%
Investment grade	598,913	99.50
Total investment in bonds	598,913	99.50

Top ten purchases and sales

For the year ended 31 January 2024

Purchases	Cost £000	Sales	Proceeds £000
Aberdeen Standard Liquidity Fund (Lux) –		Aberdeen Standard Liquidity Fund (Lux) –	
Seabury Sterling 3 Fund Class Z-1	66,430	Seabury Sterling 3 Fund Class Z-1	60,111
UK Treasury 3.25% 31/01/2033	12,619	UK Treasury 2.25% 07/09/2023	24,268
UK Treasury 3.5% 22/10/2025	11,596	UK Treasury 0.125% 31/01/2024	13,986
UK Treasury 4.5% 07/06/2028	11,395	UK Treasury 0.75% 22/07/2023	13,338
UK Treasury 2.25% 07/09/2023	10,017	UK Treasury 2% 07/09/2025	3,493
UK Treasury 3.75% 22/10/2053	6,712	UK Treasury 4.5% 07/06/2028	3,166
UK Treasury 4.625% 31/01/2034	6,102	UK Treasury 4% 22/10/2063	2,580
UK Treasury 4% 22/10/2063	5,932	UK Treasury 4.25% 07/12/2046	2,498
UK Treasury 3.75% 29/01/2038	4,639	UK Treasury 0.25% 31/07/2031	2,143
UK Treasury 4.125% 29/01/2027	4,594	UK Treasury 1% 22/04/2024	2,003
Subtotal	<u>140,036</u>	Subtotal	<u>127,586</u>
Other purchases	<u>21,353</u>	Other sales	<u>34,038</u>
Total purchases for the year	<u>161,389</u>	Total sales for the year	<u>161,624</u>

Statistical information

Comparative tables

	31/01/24 pence	Class 'A' Accumulation 31/01/23 pence	31/01/22 pence
Change in net assets per unit			
Opening net asset value per unit	138.91	172.91	188.28
Return before operating charges*	(1.59)	(32.44)	(13.50)
Operating charges	(1.38)	(1.56)	(1.87)
Return after operating charges*	(2.97)	(34.00)	(15.37)
Distributions on accumulation units	(0.99)	(0.27)	–
Retained distributions on accumulation units	0.99	0.27	–
Closing net asset value per unit	135.94	138.91	172.91
*after direct transaction costs of:	0.00	0.00	0.00

Performance

Return after charges	(2.14)%	(19.66)%	(8.16)%
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Other information

Closing net asset value (£000)	37,709	44,849	50,328
Closing number of units	27,739,186	32,286,434	29,106,351
Operating charges	1.04%	1.04%	1.03%
Direct transaction costs	0.00%	0.00%	0.00%

Prices⁺

Highest unit price (pence)	152.87	188.47	202.58
Lowest unit price (pence)	126.53	124.04	172.91

⁺High and low price disclosures are based on quoted unit prices. Therefore, the opening and closing NAV prices may fall outside the high/low price threshold.

Statistical information

Comparative tables

	31/01/24 pence	Class 'B' Accumulation 31/01/23 pence	31/01/22 pence
Change in net assets per unit			
Opening net asset value per unit	158.15	194.87	209.99
Return before operating charges*	(1.72)	(36.69)	(15.09)
Operating charges	(0.03)	(0.03)	(0.03)
Return after operating charges*	(1.75)	(36.72)	(15.12)
Distributions on accumulation units	(2.72)	(2.06)	(1.87)
Retained distributions on accumulation units	2.72	2.06	1.87
Closing net asset value per unit	156.40	158.15	194.87
*after direct transaction costs of:	0.00	0.00	0.00

Performance

Return after charges	(1.11)%	(18.84)%	(7.20)%
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Other information

Closing net asset value (£000)	564,190	589,997	671,091
Closing number of units	360,738,918	373,058,297	344,384,927
Operating charges	0.02%	0.02%	0.01%
Direct transaction costs	0.00%	0.00%	0.00%

Prices⁺

Highest unit price (pence)	161.93	197.73	210.68
Lowest unit price (pence)	144.91	140.74	194.68

⁺High and low price disclosures are based on quoted unit prices. Therefore, the opening and closing NAV prices may fall outside the high/low price threshold.

Statistical information

Investment objective

The Fund aims to provide a total return (a combination of capital growth and income) delivering an overall return in line with the benchmark before fees and expenses.

The benchmark is the FTSE Actuaries UK Conventional Gilts All Stocks Index (the "Index").

Investment policy

It will seek to achieve this objective by investing a minimum of 90% in fixed income securities of companies that are constituents of the index in approximate proportion to their weighting in the index. The Fund is not permitted to invest overseas. These securities will almost exclusively be debt securities issued by the UK Government. From time to time, the Fund may acquire or hold securities that are not constituents of the Index, as a result of new components entering the index, or existing components exiting the Index.

The Fund may also invest in other transferable securities, which are non-approved securities (essentially unlisted securities), money market instruments, deposits, cash and near cash and other collective investment schemes.

Derivatives may be used for efficient portfolio management and hedging only.

Investment strategy

A minimum of 90% of the Fund is invested in components of the Index. The Fund will seek to physically replicate the Index. This process will involve investing in components of the Index, though not necessarily in the same proportions of the Index at all times. Consequently, the Fund may not track the Index exactly but will contain a meaningful exposure to the market. Stock Index Futures contracts may also be used to manage the cash portion of the Fund. It is intended that the Fund will normally be close to fully invested as outlined above.

The Investment Advisor may use various indexation or sampling techniques to achieve the objective of tracking the Index. In doing so the Investment Advisor may use discretion in deciding which investments are to be included in the portfolio. The number of investments so included may vary. The Investment Advisor may at its discretion replace the current Index with such similar index as it may consider appropriate, subject to regulatory approval and appropriate notification to Unitholders.

Revenue distribution and pricing

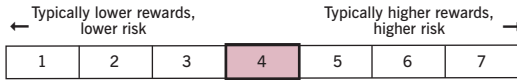
Units of the Fund are available as either Class 'A' or 'B' Accumulation units (where revenue is reinvested to enhance the unit price). There will be two potential distributions in each accounting year: an interim distribution as at 31 July and a final distribution as at 31 January.

At each distribution the net revenue after deduction of expenses, from the investments of the Fund, is apportioned amongst the unitholders. Unitholders receive a tax voucher giving details of the distribution and the Manager's Report no later than two months after these dates.

Statistical information

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.



This Fund is ranked at 4 (31/01/23: 4) because funds of this type have experienced average rises and falls in value in the past. The above figure applies to the following unit classes:

- Class 'A' Accumulation
- Class 'B' Accumulation

Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. Please note the Fund's risk category may change in the future. The indicator does not take into account the following risks of investing in this Fund:

- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts.
- Although the Investment Manager will use currency trades to reduce exchange rate risk on investments not priced in Sterling, this may not completely eliminate the Fund's exchange rate risk.
- The Fund may use derivatives to reduce risk or cost or to generate additional capital or income at low risk, or to meet its investment objective.

For more information on the Risk and Reward profiles of our Funds, please refer to the most up to date relevant fund and Unit Class Key Investor Information Documents (KIIDs). These are available online at www.phoenixunittrust.co.uk.

Annual financial statements

For the year ended 31 January 2024

Statement of total return

	Notes	31/01/24		31/01/23	
		£000	£000	£000	£000
Income					
Net capital losses	4		(19,160)		(146,210)
Revenue	5	10,801		7,954	
Expenses	6	(516)		(572)	
Interest payable and similar charges		(1)		(1)	
Net revenue before taxation		10,284		7,381	
Taxation	7	–		–	
Net revenue after taxation			10,284		7,381
Total deficit before distributions			(8,876)		(138,829)
Distributions	8		(10,296)		(7,393)
Change in net assets attributable to unitholders from investment activities			<u>(19,172)</u>		<u>(146,222)</u>

Statement of change in net assets attributable to unitholders

	31/01/24		31/01/23	
	£000	£000	£000	£000
Opening net assets attributable to unitholders		634,846		721,419
Amounts receivable on issue of units	31,545		61,791	
Amounts payable on cancellation of units	<u>(55,562)</u>		<u>(9,717)</u>	
		(24,017)		52,074
Change in net assets attributable to unitholders from investment activities		(19,172)		(146,222)
Retained distributions on accumulation units		10,242		7,575
Closing net assets attributable to unitholders		<u>601,899</u>		<u>634,846</u>

Annual financial statements

As at 31 January 2024

Balance sheet

	Notes	31/01/24		31/01/23	
		£000	£000	£000	£000
Assets:					
Fixed assets:					
Investments			612,628		637,017
Current assets:					
Debtors	9	14,616		14,248	
Cash and bank balances	10	1		–	
Total current assets		<u>14,617</u>		<u>14,248</u>	
Total assets			<u>627,245</u>		<u>651,265</u>
Liabilities:					
Creditors:					
Bank overdraft	11	–		(37)	
Other creditors	12	<u>(25,346)</u>		<u>(16,382)</u>	
Total liabilities			<u>(25,346)</u>		<u>(16,419)</u>
Net assets attributable to unitholders			<u>601,899</u>		<u>634,846</u>

Notes to the financial statements

Note 1 Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in compliance with Financial Reporting Standard (FRS 102) and in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by The Investment Association ('IA') in May 2014, and as amended in June 2017.

These financial statements are prepared on a going concern basis. The Manager has made an assessment of the Fund's ability to continue as a going concern, and is satisfied it has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made for a period of 12 months from when the financial statements are authorised for issue and considers liquidity, declines in global capital markets, known redemption levels, expense projections and key service provider's operational resilience.

(b) Valuation of investments

The quoted investments of the Fund have been valued at bid dealing prices as at close of business on 31 January 2024, the last valuation point in the accounting year, in accordance with the Trust Deed.

Investments in collective investment schemes have been valued at bid price for dual priced funds or the single price for single priced funds. Where these investments are managed by the Manager or an associate of the Manager, the holdings have been valued at the cancellation price for dual priced funds or the single price for single priced funds. This price is the last available published price at the year end.

(c) Foreign exchange

Transactions in foreign currencies during the year are translated into Sterling (the functional currency of the Fund), at the rates of exchange ruling on the transaction date. Amounts held in foreign currencies have been translated at the rate of exchange ruling at close of business, 31 January 2023, the last valuation point in the accounting year.

(d) Revenue

Interest receivable on bank deposits is accounted for on a receipts basis and money market funds is accounted for on an accruals basis. Interest receivable from debt securities is accounted for on an effective interest rate basis. Accrued interest purchased or sold is excluded from the cost of the security and is accounted for as revenue.

(e) Expenses

Expenses are accounted for on an accruals basis. Expenses of the Fund are charged against revenue, except for the safe custody charge and costs associated with the purchase and sale of investments, which are charged to capital.

Notes to the financial statements

(Note 1 Accounting policies (continued))

(f) Taxation

The Fund satisfied the rules of SI 2006/964, Reg 19 throughout the period. All distributions made are therefore made as interest distributions. The Fund has no corporate tax liability as interest distributions are tax deductible.

(g) Deferred taxation

Deferred tax is provided at current rates of corporation tax on all timing differences which have originated but not reversed by the Balance sheet date. Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that the Manager considers it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

Note 2 Distribution policies

(a) Basis of distribution

Revenue produced by the Fund's investments accumulates during each accounting period. If, at the end of each accounting period, revenue exceeds expenses, the net revenue of the Fund is available to be distributed/accumulated to unitholders.

The Fund is more than 60% invested in qualifying investments (as defined by SI 2006/964, Reg 20) and will pay an interest distribution.

(b) Unclaimed distributions

Distributions remaining unclaimed after six years are paid into the Fund as part of the capital property.

(c) Apportionment to multiple unit classes

With the exception of the Manager's periodic charge, the allocation of revenue and expenses to each unit class is based upon the proportion of the Fund's assets attributable to each unit class on the day the revenue is earned or the expense is suffered. The Manager's periodic charge is specific to each unit class. Tax will be allocated between the unit classes according to income. Consequently, the revenue available to distribute for each unit class will differ.

(d) Interest from debt securities

Future cash flows on all assets are considered when calculating revenue on an effective interest rate basis and where, in the Manager's view there is doubt as to the final maturity value, an estimate of the final redemption proceeds will be made in determining those cash flows. The impact of this will be to reduce the revenue from debt securities, and therefore the revenue distributed, whilst preserving capital within the Fund.

(e) Distributions from collective investment schemes

It is the policy of the Fund to distribute revenue from both income and accumulation distributions.

(f) Expenses

In determining the net revenue available for distribution, charges in relation to the safe custody are ultimately borne by capital.

Notes to the financial statements

Note 3 Risk management policies

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

(a) Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market fluctuations which are monitored by the Manager in pursuit of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Prospectus and in the Collective Investment Schemes Sourcebook ("the Sourcebook") mitigates the risk of excessive exposure to any particular type of security or issuer.

(b) Interest rate risk

The Fund's assets are comprised of mainly fixed interest rate securities. There is therefore a risk that the capital value of investments will vary as a result of the market's sentiment regarding future interest rates.

Expectations of future rates may result in an increase or decrease in the value of investments held. In general, if interest rates rise the revenue potential of the Fund also rises but the value of fixed interest rate securities will decline. A decline in interest rates will in general have the opposite effect.

Any transactions in fixed interest securities must be used in accordance with the investment objective of the Fund and must be deemed by the Investment Manager to be economically appropriate. Regular production of portfolio risk reports highlight concentrations of risk, including interest rate risk, for this Fund. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

(c) Foreign currency risk

The Fund has no significant exposure to foreign currency risk.

(d) Liquidity risk

The Fund's assets are comprised of mainly readily realisable securities. If insufficient cash is available to finance unitholder redemptions then securities held by the Fund may need to be sold. The risk of low market liquidity, through reduced trading volumes, may affect the ability of the Fund to trade financial instruments at values previously indicated by financial brokers. From time to time, liquidity may also be affected by stock specific or economic events. To manage these risks the Manager performs market research in order to achieve the best price for any transactions entered into on behalf of the Fund. All stocks are valued daily but those stocks identified as being less liquid are reviewed on a regular basis for pricing accuracy.

(e) Credit risk

At the Balance sheet date some 99.50% (31/01/23: 99.18%) of the Fund's assets were held in government bonds.

Government bonds involve the risk that the bond issuer will be unable to meet its liability to pay interest or redeem the bond. The Fund Manager selects bonds taking into account the credit rating, bearing in mind the Fund's objective.

Notes to the financial statements

Note 3 Risk management policies (continued)

(f) Counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. This list is reviewed annually.

(g) Derivatives

Derivative transactions may be used by the Fund for the purposes of meeting its investment objectives and also for hedging. In doing so the Manager may make use of a variety of derivative instruments in accordance with the Sourcebook. The use of derivatives for investment purposes means that the net asset value of the Fund may at times have high volatility, although derivatives will not be used with the intention of raising the risk profile of the Fund. Where derivatives are used for hedging this will not compromise the risk profile of the Fund. Use of derivatives will not knowingly contravene any relevant investment objective or limits.

There were no derivatives held at the year end.

Note 4 Net capital losses

	31/01/24	31/01/23
	£000	£000
The net capital losses during the year comprise:		
Losses on non-derivative securities	(19,159)	(146,209)
Handling charges	(1)	(1)
Net capital losses	<u>(19,160)</u>	<u>(146,210)</u>

Note 5 Revenue

	31/01/24	31/01/23
	£000	£000
Interest on debt securities	10,704	7,906
Liquidity interest	<u>97</u>	<u>48</u>
Total revenue	<u>10,801</u>	<u>7,954</u>

Notes to the financial statements

Note 6 Expenses	31/01/24 £000	31/01/23 £000
(a) Payable to the Manager or associates of the Manager and agents of either of them:		
Manager's periodic charge	442	496
(b) Payable to the Trustee or associates of the Trustee and agents of either of them:		
Trustee's fees	23	25
(c) Other expenses:		
Audit fee	12	10
Safe custody charges	12	12
Printing & stationery	1	1
FTSE licence fees	22	24
Professional fees	4	4
	<u>51</u>	<u>51</u>
Total expenses	<u>516</u>	<u>572</u>

Note 7 Taxation	31/01/24 £000	31/01/23 £000
(a) Analysis of tax charge for the year		
Total taxation (Note 7(b))	–	–
(b) Factors affecting the tax charge for the year		
The tax assessed for the year is lower than that calculated when the standard rate of corporation tax for Authorised Unit Trusts is applied to total revenue return. The differences are explained below:		
Net revenue before taxation	10,284	7,381
Corporation tax at 20% (31/01/23: 20%)	2,057	1,476
Effects of:		
Deductible interest distributions	(2,057)	(1,476)
Total tax charge for the year (Note 7(a))	<u>–</u>	<u>–</u>

Authorised Unit Trusts are exempt from tax on capital gains in the UK.

- (c) Provision for deferred taxation
No deferred tax asset has been recognised in the year or the prior year.

Notes to the financial statements

Note 8 Distributions

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

	31/01/24	31/01/23
	£000	£000
Interim	4,783	3,441
Final	<u>5,459</u>	<u>4,134</u>
	10,242	7,575
Amounts deducted on cancellation of units	185	24
Amounts added on issue of units	<u>(131)</u>	<u>(206)</u>
Net distribution for the year	<u>10,296</u>	<u>7,393</u>
Net revenue after taxation	10,284	7,381
Expenses taken to capital	<u>12</u>	<u>12</u>
Net distribution for the year	<u>10,296</u>	<u>7,393</u>

Details of the distribution per unit are set out in the tables on page 25.

Note 9 Debtors

	31/01/24	31/01/23
	£000	£000
Creations awaiting settlement	10,140	11,425
Sales awaiting settlement	1,615	–
Accrued income	<u>2,861</u>	<u>2,823</u>
Total debtors	<u>14,616</u>	<u>14,248</u>

Note 10 Cash and bank balances

	31/01/24	31/01/23
	£000	£000
Cash and bank balances	<u>1</u>	<u>–</u>
Total cash and bank balances	<u>1</u>	<u>–</u>

Note 11 Bank overdraft

	31/01/24	31/01/23
	£000	£000
Bank overdraft	<u>–</u>	<u>37</u>
Total bank overdraft	<u>–</u>	<u>37</u>

Note 12 Other creditors

	31/01/24	31/01/23
	£000	£000
Cancellations awaiting settlement	373	392
Purchases awaiting settlement	24,891	15,819
Manager's periodic charge payable	37	155
Trustee's fees payable	9	4
Safe custody charges payable	12	1
Audit fee payable	11	10
Handling charges payable	2	1
FTSE licence fees payable	<u>11</u>	<u>–</u>
Total other creditors	<u>25,346</u>	<u>16,382</u>

Notes to the financial statements

Note 13 Reconciliation of units

	Class 'A' Accumulation	Class 'B' Accumulation
Opening units issued at 01/02/23	32,286,434	373,058,297
Unit movements in year:		
Units issued	126,796	20,771,010
Units cancelled	(4,674,044)	(33,090,389)
Closing units at 31/01/24	<u>27,739,186</u>	<u>360,738,918</u>

Note 14 Contingencies and commitments

At 31 January 2024 the Fund had no outstanding calls on partly paid shares, no potential underwriting commitments or any other contingent liabilities (31/01/23: £nil).

Note 15 Unitholders' funds

There are two unit classes in issue within the Fund. These are Class 'A' Accumulation and Class 'B' Accumulation.

The Manager's periodic charge in respect of Class 'A' and Class 'B' units is expressed as an annual percentage of the value of the property of the Fund attributable to each unit class and is currently 1.025% in respect of Class 'A' units and 0.005% in respect of Class 'B' units.

Consequently, the level of net revenue attributable to each unit class will differ. Should it be necessary to wind-up the Fund, each unit class will have the same rights as regards to the distribution of the property of the Fund.

Note 16 Related party transactions

The Manager is a related party to the Fund by virtue of its controlling influence.

The Manager is part of the Phoenix Group. Phoenix Life Limited which is also part of the Phoenix Group, is a material unitholder in the Fund and therefore a related party, holding the following percentage of the units at the year end:

	Class 'A' %	Class 'B' %
As at 31 January 2024:	100.00	100.00
As at 31 January 2023:	100.00	99.78

Manager's periodic charge paid to the Manager, Phoenix Unit Trust Managers Limited, or its associates, is shown in Note 6(a) and details of the units issued and cancelled by the Manager are shown in the Statement of change in net assets attributable to unitholder and Note 8.

Any balances due to/from the Manager or its associates at 31 January 2024 in respect of these transactions are shown in Notes 9 and 12.

Note 17 Financial instruments

In accordance with the investment objective, the Fund holds certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- derivative transactions which the Fund may also enter into, the purpose of which is to manage the currency and market risks arising from the Fund's investment activities; and
- cash and short term debtors and creditors arising directly from operations.

Notes to the financial statements

Note 17 Financial instruments (continued)

Counterparty exposure

There was no counterparty exposure held at the year end.

Currency exposure

An analysis of the monetary assets and liabilities at the year end is shown below:

Currency	Monetary exposure £000	Net currency assets 31/01/24		Monetary exposure £000	Net currency assets 31/01/23	
		Non-monetary exposure £000	Total exposure £000		Non-monetary exposure £000	Total exposure £000
Sterling	(10,729)	612,628	601,899	(2,171)	637,017	634,846
	(10,729)	612,628	601,899	(2,171)	637,017	634,846

The Fund does not hedge or otherwise seek to avoid, movement risk on accrued income.

Interest profile

The interest rate risk profile of financial assets and liabilities at 31 January 2024 was:

Currency	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets not carrying interest £000	Total £000
Sterling	598,913	13,716	14,616	627,245
	598,913	13,716	14,616	627,245

Currency	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	–	–	(25,346)	(25,346)
	–	–	(25,346)	(25,346)

Notes to the financial statements

Note 17 Financial instruments (continued)

Interest profile (continued)

The interest rate risk profile of financial assets and liabilities at 31 January 2023 was:

Currency	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets not carrying interest £000	Total £000
Sterling	629,627	7,390	14,248	651,265
	629,627	7,390	14,248	651,265

Currency	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	–	(37)	(16,382)	(16,419)
	–	(37)	(16,382)	(16,419)

Interest rates earned/paid on deposits are earned/paid at a rate linked to SONIA (Sterling Overnight Index Average) or international equivalent. Interest was also earned on the investments in the Aberdeen Standard Liquidity Fund.

Sensitivity analysis

Interest rate risk sensitivity

Changes in interest rates or changes in expectation of future interest rates may result in an increase or decrease in the the market value of the investments held. A one percent increase in interest rates (based on current parameters used by the Manager's Investment Risk department) would have the effect of decreasing the return and net assets by £517,031 (31/01/23: £57,687,169). A one percent decrease would have an equal and opposite effect.

Foreign currency risk sensitivity

As the majority of the Fund's financial assets are in the base currency of the Fund (Sterling), the Fund is only subject to limited exposure to fluctuations in foreign currency and therefore, no sensitivity analysis has been provided.

Market price risk sensitivity

A five percent increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £30,631,408 (31/01/23: £31,850,843). A five percent decrease would have an equal and opposite effect.

Notes to the financial statements

Note 18 Fair value of investments

The fair value of the Fund's investments has been determined using the hierarchy below.

This complies with the 'Amendments to FRS 102 – Fair value hierarchy disclosures' issued by the Financial Reporting Council in March 2016.

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 31/01/24

Level	1	2	3	Total
Investment assets	£000	£000	£000	£000
Bonds	598,913	–	–	598,913
Money markets	13,715	–	–	13,715
	612,628	–	–	612,628

For the year ended 31/01/23

Level	1	2	3	Total
Investment assets	£000	£000	£000	£000
Bonds	629,627	–	–	629,627
Money markets	7,390	–	–	7,390
	637,017	–	–	637,017

Notes to the financial statements

Note 19 Portfolio transaction costs

For the year ended 31/01/24

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
Analysis of total purchases costs							
Bond transactions	94,959	–	–	–	–	–	–
Money markets	66,430	–	–	–	–	–	–
Total	161,389	–	–	–	–	–	–
	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
Analysis of total sales costs							
Bond transactions	65,610	–	–	–	–	–	–
Money markets	60,111	–	–	–	–	–	–
Corporate actions	35,903	–	–	–	–	–	–
Total	161,624	–	–	–	–	–	–

The Fund has paid £524 as commission on purchases and sales of derivatives transactions for the year ended 31.01.24. Commission, taxes and other expenses as % of average net assets:

Commission, taxes and other expenses as % of average net assets:

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

For the year ended 31/01/23

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
Analysis of total purchases costs							
Bond transactions	122,740	–	–	–	–	–	–
Money markets	62,646	–	–	–	–	–	–
Total	185,386	–	–	–	–	–	–
	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
Analysis of total sales costs							
Bond transactions	7,927	–	–	–	–	–	–
Money markets	56,610	–	–	–	–	–	–
Corporate actions	50,488	–	–	–	–	–	–
Total	115,025	–	–	–	–	–	–

The Fund has paid £505 as commission on purchases and sales of derivatives transactions for the year ended 31/01/23.

Commission, taxes and other expenses as % of average net assets:

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

Notes to the financial statements

Note 19 Portfolio transaction costs (continued)

The purchases and sales of securities incurred no direct transaction costs during the year or prior year.

Portfolio transaction costs are incurred by the Fund when buying and selling underlying investments. These costs vary depending on the class of investment, country of exchange and method of execution.

These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: "Dealing spread" - the difference between buying and selling prices of the underlying investments.

At the Balance sheet date the portfolio dealing spread was 0.07% (31/01/23: 0.12%) being the difference between the respective bid and offer prices for the Fund's investments.

Distribution tables

For the year ended 31 January 2024

Interest distributions

Interim distribution in pence per unit

Group 1: units purchased prior to 1 February 2023

Group 2: units purchased 1 February 2023 to 31 July 2023

	Gross income	Equalisation	2023 pence per unit paid 30 Sep	2022 pence per unit paid 30 Sep
Class 'A' Accumulation				
Group 1	0.3901	—	0.3901	0.0372
Group 2	0.1166	0.2735	0.3901	0.0372

Class 'B' Accumulation

Group 1	1.2510	—	1.2510	0.9687
Group 2	0.5799	0.6711	1.2510	0.9687

Final distribution in pence per unit

Group 1: units purchased prior to 1 August 2023

Group 2: units purchased 1 August 2023 to 31 January 2024

	Gross income	Equalisation	2024 pence per unit payable 31 Mar	2023 pence per unit paid 31 Mar
Class 'A' Accumulation				
Group 1	0.6012	—	0.6012	0.2364
Group 2	0.5163	0.0849	0.6012	0.2364

Class 'B' Accumulation

Group 1	1.4671	—	1.4671	1.0878
Group 2	0.8477	0.6194	1.4671	1.0878

Equalisation

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

Responsibilities of the manager and the trustee

- a) The Manager of the Fund is required by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('the Sourcebook') to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund at the end of that period and the net revenue or expense and the net gains or losses on the property of the Fund for the period then ended.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable;
- state whether applicable accounting standards have been followed subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Fund in accordance with the Trust Deed, the Prospectus and the Sourcebook, maintain proper financial records to enable them to ensure that the financial statements comply with the Statement of Recommended Practice for Authorised Funds as issued by the IA in May 2014 (amended June 2017) and the Sourcebook and take reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

The Depositary must ensure that:

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

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

Trustee's report and directors' statement

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of the PUTM Bothwell Sterling Government Bond Fund of the PUTM Bothwell Range of Unit Trusts ("the Trust") for the Period Ended 31 January 2024.

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

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

London
29 May 2024

HSBC Bank plc

Directors' statement

In accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority, we hereby certify the report on behalf of the Directors of Phoenix Unit Trust Managers Limited.

Birmingham
29 May 2024

Mike Eakins, Director
Frances Clare Maclachlan, Director

Independent auditor's report to the unitholders of the PUTM Bothwell Sterling Government Bond Fund

Opinion

We have audited the financial statements of the PUTM Bothwell Sterling Government Bond Fund ("the Fund") for the year ended 31 January 2024 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Distribution Tables and the related notes, including 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 to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 January 2024 and of the net revenue and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 below.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) 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 Fund Manager's ("the Manager") 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 Fund's ability to continue as a going concern for a period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

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 this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the unitholders of the PUTM Bothwell Sterling Government Bond Fund

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority ("the FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 26, 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund 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 these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud.

The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report to the unitholders of the PUTM Bothwell Sterling Government Bond Fund

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Investment Management Association Statement of Recommended practice (the "IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrator and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

Use of our report

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders of the Fund 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 Fund and the unitholders of the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh
30 May 2024

Corporate information (unaudited)

The information in this report is designed to enable unitholders to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

Phoenix Unit Trust Managers Limited is part of the Phoenix Group.

Unit prices appear daily on our website www.phoenixunittrust.co.uk

Administration & Dealing: 0345 584 2803 (between the hours of 9am & 5pm).

Remuneration

The Manager has adopted a remuneration policy, up-to-date details of which can be found on www.phoenixunittrust.co.uk. This statement describes how remuneration and benefits are calculated and identifies the committee which oversees and controls this policy. A paper copy of these details can be requested free of charge from the Manager.

This statement fulfils Phoenix Unit Trust Managers Limited's ('the Manager') obligations as an authorised UK UCITS Manager in respect of compliance with the UCITS V Remuneration Code and contains relevant remuneration disclosures.

PUTM Unit Trusts are managed by Phoenix Unit Trust Managers Limited, which is a subsidiary of Phoenix Life Limited, part of The Phoenix Group plc ('the Group').

The Remuneration Committee ('the Committee') of the Group has established a Remuneration Policy which applies to all entities of the Group. The guiding principles of this policy ensure sound and effective risk management so as not to encourage risk-taking outside of the Group's risk appetite, and support management in the operation of their business through identification of minimum control standards and key controls. The Committee approves the list of UK UCITS Code Staff annually and identified UK UCITS Code Staff are annually notified of their status and the associated implications.

Further information on the Group Remuneration Policy can be found in the Group annual reports and accounts which can be found on www.phoenixgroup.com.

The below table provides detail of remuneration provided, split between fixed and variable remuneration, for UK UCITS Code Staff (defined as all staff whose professional activities have material impact on the risk profiles of the fund it manages).

As at 31 December 2022

	Headcount	Total remuneration
Phoenix Unit Trust Managers	2	99,305.63
of which		
Fixed Remuneration	2	65,211.04
Variable Remuneration	1	34,094.59
Carried Interest	n/a	
Highest paid Director's Remuneration		39,922.40

The Directors are employed by fellow entities of the Group. The total compensation paid to the Directors of the Manager is in respect of services to the Manager, irrespective of which entity within the Phoenix Group has paid the compensation.

Please note that due to the employment structure and resourcing practices of the Group, the staff indicated in this table may also provide services to other companies in the Group.

Corporate information (unaudited)

The table states the actual number of employees who are fully or partly involved in the activities of the Manager, no attempt has been made to apportion the time spent specifically in support of each fund as this data is not captured as part of the Manager's normal processes.

The remuneration disclosed is the total remuneration for the year and has been apportioned between the provisions of services to the Manager and not the Fund.

Total remuneration can include any of the following;

- Fixed pay and annual/long term incentive bonuses.
- Where fixed pay is directly attributable to PUTM Unit Trusts (for example, fees for Phoenix Unit Trust Managers Limited), 100% of those fees.
- For other individuals, pro-rated using the average AUM of PUTM Unit Trusts (as a proportion of the aggregate average AUM of The Phoenix Group plc) as proxy.

Senior Management includes – PUTM Board and PUTM Executive Committees.

Other Code Staff includes all other UK UCITS Code Staff not covered by the above.

Assessment of Value

We are required to perform an annual assessment of the value for money for each unit class of PUTM Bothwell Sterling Government Bond Fund. This has been performed based on the information available as at 31 January 2024.

We have performed this review having regard to a wide range of factors. In doing so, we have made comparison with the other unit classes of the relevant fund, with the unit classes and sub-funds within our fund ranges and also with comparable unit classes and sub-funds in the rest of the market.

Broadly speaking, assessment of value requires consideration of a combination of factors, including the return achieved, the price paid, the risk taken and the quality and range of services provided by the asset manager. This also needs to be considered in the context of the investment objectives and policy for the Fund, the target investor and the recommended holding period.

In considering cost, regard needs to be had to the total cost of investing, including any adviser charges, platform charges, adviser fees and the on-going annual management charge. Regard also needs to be had to the degree of active management; as an investor, you would not be receiving value, if you were being charged fees for active portfolio management, where in fact, the Fund's composition of performance is staying very close to a benchmark. These factors also need to be considered in the context of the size of the portfolio and the ability of larger funds to benefit from economies of scale. As regards performance, it is important that performance is considered over an appropriate timescale given the Fund's objectives, and should be measured net of fees.

Based on our assessment of the value of each unit class, PUTM can confirm that the Fund meets all of the required Assessment of Value criteria. No immediate action is required.

Further details of the Assessment of Value can be found at the following link:

<http://www.phoenixunittrust.co.uk/report-and-accounts.aspx>

Fund Climate Report

We're working towards a more sustainable way of investing. For the latest information about what we're doing and our fund climate report, go to phoenix-unit-trust-managers.co.uk/fund-climate-report.

Risks

The price of units and the revenue from them can go down as well as up and investors may not get back the amount they invested, particularly in the case of early withdrawal. Tax levels and reliefs are those currently applicable and may change. The value of any tax relief depends on personal circumstances.

Management charges on some funds are charged to capital and therefore a reduction in capital may occur. Depending on the fund, the value of your investment may change with currency movements.

Corporate information (unaudited)

Manager

Phoenix Unit Trust Managers Limited (PUTM)
1 Wythall Green Way
Wythall
Birmingham B47 6WG
Tel: 0345 584 2803
Registered in England – No.03588031
Authorised and regulated by the Financial Conduct Authority.

Directors

Mike Eakins	PUTM Director, Group Chief Investment Officer;
Frances Clare MacLachlan	PUTM Director, Chief Finance Officer, SLF UK, Sun Life of Canada;
Timothy Harris	Non Executive Director of PUTM;
Nick Poyntz-Wright	Non Executive Director of PUTM.

Registrar and correspondence address

Phoenix Unit Trust Managers Limited
Floor 1, 1 Grand Canal Square
Grand Canal Harbour
Dublin 2
Ireland
Authorised and regulated by the Financial Conduct Authority.

Investment Adviser

Abrdn Investment Management Limited
1 George Street
Edinburgh EH2 2LL
Registered in Scotland – No.SC123321
Authorised and regulated by the Financial Conduct Authority.

Trustee

HSBC Bank plc
1-2 Lochside Way
Edinburgh Park
Edinburgh EH12 9DT
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Independent Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Authorised status

This Fund is an Authorised Unit Trust scheme under section 243 of the Financial Services & Markets Act 2000 and is categorised under the Collective Investment Schemes Sourcebook as a UK UCITS fund.

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Contact: **Client Services**

Call: **0345 584 2803**

Correspondence Address: **Floor 1, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland**

Visit: **phoenixunittrust.co.uk**

Telephone calls may be monitored and/or recorded for the purposes of security, internal training, accurate account operation, internal customer monitoring and to improve the quality of service.

Please note the Key Investor Information Document (KIID), the Supplementary Information Document (SID) and the full prospectus are available free of charge. These are available by contacting Client Services on 0345 584 2803.

Phoenix Unit Trust Managers Limited does not accept liability for any claims or losses of any nature arising directly or indirectly from use of the data or material in this report. The information supplied is not intended to constitute investment, tax, legal or other advice.

Phoenix Unit Trust Managers Limited* is a Phoenix Group Company. Registered in England No 3588031.
Registered office: 1 Wythall Green Way, Wythall, Birmingham B47 6WG.

*Authorised and regulated by the Financial Conduct Authority.