

PHOENIX UNIT TRUST MANAGERS

## MANAGER'S ANNUAL REPORT

For the year: 1 October 2023 to 30 September 2024

### PUTM BOTHWELL INDEX-LINKED STERLING HEDGED FUND





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

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# Investment review

## Dear Investor

Welcome to the PUTM Bothwell Index-Linked Sterling Hedged Fund report for the 12 months to 30 September 2024.

## Performance Review

Over the review period, the PUTM Bothwell Index-Linked Sterling Hedged Fund returned 6.31% (Source: Factset, for 12 months to 30/09/24). This was compared to its benchmark index, which returned 6.01% (Source: Factset, FTSE UK Index-Linked Gilts All Stocks Index, Total Return for 12 months to 30/09/24).

In the table below, you can see how the Fund performed against its benchmark index over the last 5 discrete 1-year periods.

## Standardised Past Performance

	Sep 23-24 % Growth	Sep 22-23 % Growth	Sep 21-22 % Growth	Sep 20-21 % Growth	Sep 19-20 % Growth
<b>PUTM Bothwell Index-Linked Sterling Hedged Fund</b>	6.31	-12.58	-26.07	0.20	0.38
<b>Benchmark Index</b>	6.01	-12.75	-28.85	0.46	0.40

Source: Fund performance is Factset for 12 months to 30 September for each year. Benchmark index performance is Factset, FTSE UK Index-Linked Gilts All Stocks Index, Total Return in GBP to 30 September for each year.

### **Past performance is not a guide to future performance.**

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

**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.**

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# Investment review

## Portfolio and Market Review

Towards the end of 2023, there was a surge in political risk after the outbreak of hostilities in the Middle East. Global government bonds then rallied into the end of the year, as the US Federal Reserve (Fed) changed its 'dot plot' in December, reflecting its expectation that interest rates would be lower by the end of 2024. However, global government bonds fell in local currency terms in the first quarter of 2024. Price pressures continued to ease in most major economies. However, with core inflation still elevated, central banks maintained a data-dependent stance. Meanwhile, concerns about the risk of a global economic recession lessened given robust economic data, particularly in the US. Government bond markets remained volatile during the second quarter of 2024. Stronger-than-expected inflation in the US dragged yields higher across most developed markets. Towards the end of the quarter, European markets were dominated by political volatility in France. Following the European Parliamentary elections (where President Macron's centrist party was beaten by Marine Le Pen's far-right National Rally), Macron called a snap parliamentary election. This caused European government bond spreads to widen materially. The spread between 10-year French and German government bonds widened by 29 basis points (bps) in one week, as German Bunds outperformed on the general risk-off tone. Then, in the third quarter, government bonds rallied, boosted by a considerable increase in rate cut expectations. The Fed cut its fed funds rate on 18 September by 50 bps, a larger-than-consensus reduction. Meanwhile, the European Central Bank (ECB) cut its deposit facility rate by 25 bps. In the UK, the Bank of England (BoE) held rates steady at 5%, but Governor Bailey said the bank should be able to reduce rates gradually over time.

In terms of Fund performance, during the fourth quarter of 2023, our New Zealand real yields position contributed positively. As global interest rates rallied, the Fund's overweight duration positioning and our exposure to US 30-year Treasury inflation-protected securities (TIPS) performed well. A short US bond futures position and a short Italian bond futures versus Germany position detracted from performance. In the first quarter of 2024, short positions in 10-year UK and US bond futures contributed positively, as global government bond markets sold off due to resilient economic growth despite inflation continuing to surprise on the upside. However, this backdrop acted as a headwind to the Fund's New Zealand real yields exposure. A short position in Italian versus German bond futures also detracted. Strong US employment data set the tone at the start of the second quarter of 2024. US yields continued to sell off as inflation data surprised to the upside. This boded well for the Fund's position in Germany versus US five-year bond futures and its 10-year US CPI exposure. A short position in US 10-year bond futures detracted from performance, however, US bonds trended slightly downwards during the quarter as the first cracks in the labour market appeared. The Fund's UK 10-year Gilts position also lost ground as global sovereign bond markets sold off on the back of the strong move in US yields in April. Then, in the third quarter of 2024, global bond markets outperformed as inflation showed signs of falling and economic growth weakened. Our long position in New Zealand real yields outperformed. While US inflation had fallen heavily in the second quarter, it picked up in the third quarter, as the Fed showed the markets it was willing to reduce interest rates to provide a soft landing. That meant that our long position in US CPI contributed positively. US inflation was slightly lower than expected in July. Furthermore, US economic data showed signs of weakness, with weak non-farm payrolls. As a result, our long position in Germany versus US five-year bond futures and our short position in US 10-year bond futures both underperformed.

At the start of the period, we reduced portfolio duration by selling UK Treasury Index 2034s. We removed the overweight to German Bund futures, leaving the portfolio underweight US bond futures. We also took profits in the US 10-year futures short and added 30-year US TIPS, as real yields pushed above 2.5% and offered significant value in our view. We took profits from the 30-year US CPI position. We then tactically sold Italian bond futures versus German Bund futures in anticipation of spread widening. In December, we took profits from 30-year US real yields and removed the remaining US 10-year futures short amid concerns that duration could remain supported into the year-end. In the first quarter of 2023, we opened a position in 10-year US CPI swaps. We also sold 10-year UK Gilt futures to reduce portfolio duration. We sold UKTI 29s versus 27s and 31s in anticipation of 29s underperforming on the curve ahead of them falling from benchmarks of more than five years. We then removed the Italian versus German Bund spread widener as risk assets

remained well supported. We also took profit from a tactical Gilt short and recycled risk into a short position in US Treasury futures in the expectation that economic data would continue to show resilience. We closed the UKTI 25s50s yield curve steepener, banking a small profit. We sold US five-year bond futures versus German five-year stock as we expected continued economic divergence. We added a 2s20s UK yield curve steepener via interest rate swaps. We closed the UKTI 29s versus 27s and 31s to take profits and lower the curve risk.

At the start of the second quarter of 2024, we opened a UK 10-year Gilts position. UK market pricing was similar to the US, but with the growth and inflation trajectories for these economies being vastly different, we felt the UK market was mispriced. We closed this position shortly afterwards to remain in a neutral duration position, as UK markets continued to be dragged lower by the US. We also closed the US CPI position to bank profits. Later in April, we closed the Germany versus US five-year bond futures position. In early May, we closed the short US 10-year bond futures position, as the US labour market showed its first signs of cracking with weak non-farm payroll jobs growth. We reopened the position 20 days later to tactically reduce duration, as sovereign bonds had outperformed more than we had expected. We closed positions in UKTI 46s versus 41s and 51s at a profit. We also closed the UK 2s20s nominal curve steepener. UK inflation data continued to surprise to the upside and the stickier components remained elevated. Markets pushed back their expectations of when the BoE will begin its interest rate-cutting cycle. As a result, the curve traded sideways and negatively affected the portfolio. In June, we opened a position in UKTI 50s versus 46s and 56s to take advantage of dislocations in the UK real yield curve resulting from supply and demand imbalances. Mid-month, we reduced the size of the short US 10-year bond futures position to reduce exposure to global interest rates. We opened a position in Italy versus Germany 10-year bonds as we believed Italian yields would outperform over the medium term as Europe embarks on rate cutting to achieve a soft economic landing. We closed this position near the end of the month, as the snap French general election approached and we sought to reduce European risk.

In the third quarter of 2024, we reduced our US 10-year Treasury short position by half, finally closing it a few days later. Weaker economic data shifted sentiment towards imminent and potentially larger rate cuts than the market had been expecting. We closed our short US five-year versus German five-year bond futures position; the weakening of US economic data and general sentiment around more proactive rate cuts by the Fed than by the ECB undermined the divergence thesis of this trade. In September, we opened five-year long US CPI and a long US 10-year CPI versus EU HICP strategies. US inflation fell significantly in the past few months due to heightened fear of a US slowdown. However, inflationary pressures in the medium term remained elevated and were not priced in. Towards the end of the quarter, we closed our long 20-year UK real yields versus France and long UK 10-year versus Germany 10-year futures. The strategy had played its course, and UK pricing had shifted.

## Market Outlook and Fund Strategy

The most recent inflation data shows that while the trend is still expected to be lower in the medium term, it is likely to be a volatile journey. Recently, US inflationary pressures have fallen materially over a short period, and we have now adopted an active view on US inflation. Future central bank moves will be highly data-dependent, as banks gauge how tight current financial conditions are relative to the perceived neutral rate and, therefore, what is expected of them going forward.

During the third quarter, the portfolio was repositioned in an attempt not to be swayed by global duration. We added exposure to US inflation, as we felt the short-term weakness in these markets was overplayed. We also added exposure to UK duration, where we felt the economic environment was deteriorating. However, we closed these positions at the end of the quarter due to the changing political environment.

We remain neutral outright in terms of duration positioning. Markets are now anticipating that the BoE will cut interest rates soon. Accordingly, we have exposure through a UK flattening bias at the belly of the real yield curve. We also retain other curve positions in the UK inflation market to seek a long-term normalisation of dislocations. We are slightly long US inflation, as we felt the drop in market pricing was too aggressive given the medium-term tailwinds in inflationary pressures. We remain overweight in New Zealand, as the yield pickup remains attractive for us.

## Portfolio of investments (unaudited)

### Investments held at 30 September 2024

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Government Index-Linked(30/09/23 – 90.88%)</b>		<b>93.73</b>
NZ\$552,000	New Zealand 2.5% 20/09/2035	341	2.04
£200,000	UK Treasury 0.125% 22/03/2026	298	1.78
£622,000	UK Treasury 0.125% 10/08/2028	862	5.15
£444,300	UK Treasury 0.125% 22/03/2029	720	4.30
£348,600	UK Treasury 0.125% 10/08/2031	456	2.72
£460,100	UK Treasury 0.125% 22/11/2036	636	3.80
£366,900	UK Treasury 0.125% 22/03/2039	423	2.53
£104,600	UK Treasury 0.125% 10/08/2041	124	0.74
£632,933	UK Treasury 0.125% 22/03/2044	818	4.89
£504,300	UK Treasury 0.125% 22/03/2046	592	3.54
£504,300	UK Treasury 0.125% 10/08/2048	536	3.20
£596,800	UK Treasury 0.125% 22/03/2051	568	3.39
£20,800	UK Treasury 0.125% 22/11/2056	21	0.13
£666,600	UK Treasury 0.125% 22/03/2058	686	4.10
£260,900	UK Treasury 0.125% 22/11/2065	247	1.48
£227,544	UK Treasury 0.125% 22/03/2068	221	1.32
£23,000	UK Treasury 0.125% 22/03/2073	19	0.11
£321,799	UK Treasury 0.25% 22/03/2052	383	2.29
£384,523	UK Treasury 0.375% 22/03/2062	461	2.75
£566,284	UK Treasury 0.5% 22/03/2050	838	5.01
£529,402	UK Treasury 0.625% 22/03/2040	892	5.33
£398,774	UK Treasury 0.625% 22/11/2042	669	4.00
£379,400	UK Treasury 0.75% 22/11/2033	403	2.41
£236,670	UK Treasury 0.75% 22/03/2034	401	2.40
£188,483	UK Treasury 0.75% 22/11/2047	314	1.88
£346,500	UK Treasury 1.125% 22/11/2037	688	4.11
£38,500	UK Treasury 1.25% 22/11/2027	79	0.47
£444,108	UK Treasury 1.25% 22/11/2032	845	5.05
£603,600	UK Treasury 1.25% 22/11/2054	598	3.57
£161,078	UK Treasury 1.25% 22/11/2055	317	1.89
£281,400	UK Treasury 2% 26/01/2035	700	4.18
£153,610	UK Treasury 4.125% 22/07/2030	530	3.17
	<b>Other Index Linked (30/09/23 – 8.41%)</b>		<b>5.57</b>
£99,000	Network Rail 1.125% 22/11/2047	174	1.04
£50,000	Network Rail 1.375% 22/11/2037	99	0.59
£337,000	Network Rail 1.75% 22/11/2027	659	3.94
	<b>Money Market (30/09/23 – 0.61%)</b>		<b>0.45</b>
£75*	Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Class Z-1+	75	0.45
	<b>Inflation Rate Swaps (30/09/23 - 0.23%)</b>		<b>0.04</b>
(€369,963)	Morgan Stanley 1.924% 15/09/2034	1	–
€369,963	Morgan Stanley CPI 15/09/2034		
€369,963	Morgan Stanley 2.127% 15/09/2044	(2)	(0.01)
(€369,963)	Morgan Stanley CPI 15/09/2044		

## Portfolio of investments (unaudited)

### Investments held at 30 September 2024

Holding	Investment	Market value £:000	Percentage of total net assets %
	<b>Inflation Rate Swaps (continued)</b>		
(\$1,199,000)	Morgan Stanley 2.157% 12/09/2029	7	0.04
\$1,199,000	Morgan Stanley CPI 12/09/2029		
\$536,613	Morgan Stanley 2.256% 12/09/2034	(5)	(0.03)
(\$536,613)	Morgan Stanley CPI 12/09/2034		
(\$536,613)	Morgan Stanley 2.275% 12/09/2044	6	0.04
\$536,613	Morgan Stanley CPI 12/09/2044		
	<b>Forward Foreign Exchange Contracts (30/09/23 – (0.13%))</b>		<b>(0.01)</b>
GBP 339,323	GBP Forward Currency Contract 15/10/2024	(1)	(0.01)
(NZD 718,279)	NZD Forward Currency Contract 15/10/2024		
GBP 3,459	GBP Forward Currency Contract 15/10/2024	–	–
(NZD 7,378)	NZD Forward Currency Contract 15/10/2024		
NZD 7,189	NZD Forward Currency Contract 15/10/2024	–	–
(GBP 3,369)	GBP Forward Currency Contract 15/10/2024		
USD 1,285	USD Forward Currency Contract 15/10/2024	–	–
(GBP 985)	GBP Forward Currency Contract 15/10/2024		
EUR 2,205	EUR Forward Currency Contract 15/10/2024	–	–
(GBP 1,865)	GBP Forward Currency Contract 15/10/2024		
GBP 2,395	GBP Forward Currency Contract 15/10/2024	–	–
(USD 3,143)	USD Forward Currency Contract 15/10/2024		
GBP 1,990	GBP Forward Currency Contract 15/10/2024	–	–
(EUR 2,353)	EUR Forward Currency Contract 15/10/2024		
GBP 2,491	GBP Forward Currency Contract 15/10/2024	–	–
(USD 3,289)	USD Forward Currency Contract 15/10/2024		
GBP 4,333	GBP Forward Currency Contract 15/10/2024	–	–
(NZD 9,234)	NZD Forward Currency Contract 15/10/2024		
EUR 1,719	EUR Forward Currency Contract 15/10/2024	–	–
(GBP 1,450)	GBP Forward Currency Contract 15/10/2024		
GBP 568	GBP Forward Currency Contract 15/10/2024	–	–
(EUR 674)	EUR Forward Currency Contract 15/10/2024		
GBP 495	GBP Forward Currency Contract 15/10/2024	–	–
(USD 654)	USD Forward Currency Contract 15/10/2024		
GBP 1,638	GBP Forward Currency Contract 15/10/2024	–	–
(USD 2,171)	USD Forward Currency Contract 15/10/2024		
GBP 1,017	GBP Forward Currency Contract 15/10/2024	–	–
(EUR 1,210)	EUR Forward Currency Contract 15/10/2024		
GBP 1,620	GBP Forward Currency Contract 15/10/2024	–	–
(USD 2,155)	USD Forward Currency Contract 15/10/2024		
GBP 433	GBP Forward Currency Contract 15/10/2024	–	–
(USD 577)	USD Forward Currency Contract 15/10/2024		
GBP 1,787	GBP Forward Currency Contract 15/10/2024	–	–
(EUR 2,139)	EUR Forward Currency Contract 15/10/2024		
EUR 2,163	EUR Forward Currency Contract 15/10/2024	–	–
(GBP 1,802)	GBP Forward Currency Contract 15/10/2024		
GBP 966	GBP Forward Currency Contract 15/10/2024	–	–

## Portfolio of investments (unaudited)

### Investments held at 30 September 2024

Holding	Investment	Market value £:000	Percentage of total net assets %
<b>Forward Foreign Exchange Contracts (continued)</b>			
(USD 1,293)	USD Forward Currency Contract 15/10/2024	–	–
USD 651 (GBP 486)	USD Forward Currency Contract 15/10/2024 GBP Forward Currency Contract 15/10/2024	–	–
EUR 2,112 (GBP 1,761)	EUR Forward Currency Contract 15/10/2024 GBP Forward Currency Contract 15/10/2024	–	–
GBP 622 (EUR 744)	GBP Forward Currency Contract 15/10/2024 EUR Forward Currency Contract 15/10/2024	–	–
<b>Futures (30/09/23 – 0.08%)</b>			
<b>Portfolio of investments</b> <sup>^</sup>		<b>16,699</b>	<b>99.78</b>
<b>Net other liabilities</b>		<b>36</b>	<b>0.22</b>
<b>Net assets</b>		<b>16,735</b>	<b>100.00</b>

Unless otherwise stated, all investments with the exception of Forward Foreign Exchange Contracts and Inflation Rate Swaps are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

The counterparties for the Forward Foreign Exchange contracts are Barclays, Citigroup, Morgan Stanley, National Westminster Bank and Royal Bank of Canada.

The counterparty for the Inflation Rate Swaps is Morgan Stanley.

<sup>^</sup> Includes investment liabilities.

+SICAVs (open ended investment schemes registered outside the UK).

\* The currency symbol has been shown as the shares are issued in blocks of £1,000.



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# Top ten purchases and sales

For the year ended 30 September 2024

<b>Purchases</b>	<b>Cost £000</b>	<b>Sales</b>	<b>Proceeds £000</b>
UK Treasury 0.125% 22/03/2026	1,001	UK Treasury 0.125% 22/03/2026	1,035
UK Treasury 1.25% 22/11/2027	959	UK Treasury 1.25% 22/11/2027	889
UK Treasury 0.125% 22/03/2046	909	UK Treasury 0.125% 22/03/2046	690
UK Treasury 0.125% 22/03/2029	707	UK Treasury 2.5% 17/07/2024	492
UK Treasury 0.5% 22/03/2050	697	UK Treasury 0.75% 22/03/2034	470
UK Treasury 0.125% 22/03/2051	655	UK Treasury 4.125% 22/07/2030	375
UK Treasury 0.125% 10/08/2031	622	UK Treasury 1.25% 22/11/2055	360
UK Treasury 1.25% 22/11/2054	598	UK Treasury 0.125% 22/03/2029	359
UK Treasury 0.125% 10/08/2028	583	UK Treasury 2% 26/01/2035	356
UK Treasury 1.25% 22/11/2032	562	UK Treasury 1.25% 22/11/2032	334
<b>Subtotal</b>	<u>7,293</u>	<b>Subtotal</b>	<u>5,360</u>
<b>Other purchases</b>	6,828	<b>Other sales</b>	3,142
<b>Total purchases for the year</b>	<u>14,121</u>	<b>Total sales for the year</b>	<u>8,502</u>

# Statistical information

## Comparative table

	30/09/24	Class 'B' Accumulation 30/09/23	30/09/22
	pence	pence	pence
<b>Change in net assets per unit</b>			
Opening net asset value per unit	138.34	157.43	214.45
Return before operating charges*	8.85	(18.85)	(56.82)
Operating charges	(0.24)	(0.24)	(0.20)
Return after operating charges*	8.61	(19.09)	(57.02)
Distributions on accumulation units	(5.23)	(13.45)	(16.47)
Retained distributions on accumulation units	5.23	13.45	16.47
Closing net asset value per unit	146.95	138.34	157.43
*after direct transaction costs of: ^	0.05	0.00	0.06

## Performance

Return after charges	6.22%	(12.13%)	(26.59%)
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## Other information

Closing net asset value (£000)	16,735	10,578	12,268
Closing number of units	11,388,714	7,646,204	7,792,249
Operating charges	0.15%	0.16%	0.10%
Direct transaction costs	0.03%	0.00%	0.03%

## Prices<sup>+</sup>

Highest unit price (pence)	153.19	163.39	240.10
Lowest unit price (pence)	133.86	123.99	122.42

^ The direct transaction costs includes commission on futures and clearing house fees on swaps.

+ 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.

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# Statistical information

## Investment objective

The PUTM Bothwell Index-Linked Sterling Hedged Fund (the 'Fund') aims to provide a total return (a combination of capital growth and income) by outperforming the benchmark by 0.25% to 0.75% per annum over any given 3 year period.

The benchmark as the FTSE UK Index-Linked Gilts All Stocks Index (the "Index").

## Investment policy

The Fund aims to achieve its objective by investing at least 80% of the portfolio in index-linked securities (indexed against the UK Retail Prices Index or a similar UK inflation index) issued by approved supranational bodies and OECD governments. Non-Sterling exposure will be predominantly hedged back to Sterling.

In meeting the Fund objective and to aid diversification, the Fund may invest up to 20% in investment grade fixed and floating rate government backed corporate bonds and up to 10% in fixed rate UK Government Treasury Stock. The Fund may also invest in other transferable securities, units in collective investment schemes and may hold up to 20% of its assets in money market instruments, deposits, cash and near cash.

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

## Investment strategy

Although at least 80% of the Fund is invested in components of the Index, the Fund is actively managed. The investment Adviser uses a stock selection model to select individual holdings, where they believe there is misalignment in the assessment of growth prospects and creditworthiness of the holdings and that of the market, while giving consideration to future economic and business conditions. The Fund is managed within constraints, so that divergence from the Index is controlled. The Fund's portfolio may, therefore, be similar to the components of the Index.

## Revenue distribution and pricing

Units of the Fund are available as Class 'B' Accumulation (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 March and a final distribution as at 30 September.

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.

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# 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 table below shows the Fund's ranking on the Risk and Reward Indicator.

← Typically lower rewards, lower risk			Typically higher rewards, higher risk →			
1	2	3	4	5	6	7

This Fund is ranked at 6 (30/09/23: 6) because funds of this type have experienced medium to high rises and falls in value in the past. Although this is a high risk ranking it is not the highest.

The above figure applies to the following unit class:

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

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](http://www.phoenixunittrust.co.uk).

# Annual financial statements

For the year ended 30 September 2024

## Statement of total return

	Notes	30/09/24		30/09/23	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	4		39		(2,486)
Revenue	5	557		1,059	
Expenses	6	(21)		(18)	
Interest payable and similar charges		–		(1)	
Net revenue before taxation		<u>536</u>		<u>1,040</u>	
Taxation	7	–		–	
Net revenue after taxation			<u>536</u>		<u>1,040</u>
Total return/(deficit) before distributions			575		(1,446)
Distributions	8		(539)		(1,040)
Change in unitholders' funds from investment activities			<u>36</u>		<u>(2,486)</u>

## Statement of change in unitholders' funds

	£000	30/09/24		30/09/23	
		£000	£000	£000	£000
Opening net assets			10,578		12,268
Amounts receivable on issue of units	9,529			1,355	
Amounts payable on cancellation of units	<u>(4,011)</u>			<u>(1,597)</u>	
			5,518		(242)
Change in unitholders' funds from investment activities			36		(2,486)
Retained distributions on accumulation units			603		1,038
Closing net assets			<u>16,735</u>		<u>10,578</u>

# Annual financial statements

As at 30 September 2024

## Balance sheet

		30/09/24		30/09/23	
	Notes	£000	£000	£000	£000
<b>Assets:</b>					
<b>Fixed assets:</b>					
Investments			16,707		10,607
<b>Current assets:</b>					
Debtors	9	96		13	
Cash and bank balances	10	4		9	
Total current assets			100		22
Total assets			16,807		10,629
<b>Liabilities:</b>					
Investment liabilities			(8)		(21)
<b>Creditors:</b>					
Bank overdraft	11	(7)		(19)	
Other creditors	12	(57)		(11)	
Total creditors			(64)		(30)
Total liabilities			(72)		(51)
Net assets			16,735		10,578
Unitholders' funds			16,735		10,578

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# 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, fluctuations 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 30 September 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.

Derivatives are valued as at close of business on 30 September 2024, the last valuation point of the accounting year.

Exchange traded derivatives are priced at fair value, which is deemed to be the bid price.

Over-the-counter derivatives are priced at fair value using valuation models or data sourced from market data providers.

### (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 on 30 September 2024, 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.

Interest received from or paid to the Fund from over-the-counter derivatives designed to protect income is treated as revenue. Interest received from or paid to the Fund from over-the-counter derivatives designed to protect capital is treated as capital.

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# Notes to the financial statements

## **Note 1 Accounting policies (continued)**

### **(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.

### **(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) 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.

### **(d) Expenses**

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

## **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



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# Notes to the financial statements

## **Note 3 Risk management policies (continued)**

### **(a) Market price risk (continued)**

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 partly/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 unit/shareholder 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 93.73% (30/09/23: 90.88%) of the Fund's assets were held in government bonds and 5.57% (30/09/23: 8.41%) in other 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.

### **(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. Where derivatives are used for hedging this will not compromise the risk profile of the Fund. Use of derivatives

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# Notes to the financial statements

## Note 3 Risk management policies (continued)

### (g) Derivatives (continued)

will not knowingly contravene any relevant investment objective or limits.

The Manager has used forwards to hedge the value of those assets denominated in foreign currency.

The Manager has used forward foreign currency contracts to hedge the portfolio where assets are denominated in foreign currency. The purpose of undertaking these contracts is to protect the portfolio as far as possible from a movement in the value of exchange rates.

The Manager has used inflation rate swaps to hedge the interest rate risk of holding fixed rate bonds during the period.

## Note 4 Net capital gains/(losses)

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

	30/09/24	30/09/23
	£000	£000
Gains/(losses) on non-derivative securities	45	(2,528)
(Losses)/gains on derivative contracts	(12)	44
Currency losses	–	(1)
Handling charges	(1)	(1)
Finance costs	7	–
Net capital gains/(losses)	<u>39</u>	<u>(2,486)</u>

## Note 5 Revenue

	30/09/24	30/09/23
	£000	£000
Interest on debt securities	553	1,056
Liquidity interest	4	3
Total revenue	<u>557</u>	<u>1,059</u>

## Note 6 Expenses

	30/09/24	30/09/23
	£000	£000
(a) Payable to the Manager or associates of the Manager and agents of either of them: Manager's periodic charge	<u>1</u>	<u>1</u>
(b) Payable to the Trustee or associates of the Trustee and agents of either of them: Trustee's fees	<u>1</u>	<u>1</u>
(c) Other expenses: Audit fee	13	10
Safe custody charges	3	–
Printing & stationery	1	1
Professional fees	2	5
	<u>19</u>	<u>16</u>
Total expenses	<u>21</u>	<u>18</u>

# Notes to the financial statements

## Note 7 Taxation

	30/09/24 £000	30/09/23 £000
(a) Analysis of tax charge for the year		
Total taxation	—	—
(b) Factors affecting the tax charge for the year		
The tax assessed for the year is higher/lower than that calculated when the standard rate of corporation tax for Authorised Unit Trusts is applied to total revenue return.		
Net revenue before taxation	536	1,040
Corporation tax at 20% (30/09/23: 20%)	107	208
Effects of:		
RPI indexation adjustment	(72)	(190)
Excess management expenses utilised	(24)	(18)
Deductible interest distributions	(11)	—
Total tax charge for the year (Note 7(a))	—	—

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

### (c) Provision for deferred taxation

At 30 September 2024 the Fund had a potential deferred tax asset of £423,017 (30/09/23: £446,911) in relation to surplus management expenses of £ 0 (30/09/23: £207,281) and non-trading deficits of £2,115,086 (30/09/23: £2,027,271).

It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised in the year or the prior year.

## 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:

	30/09/24 £000	30/09/23 £000
Interim	149	581
Final	454	457
	603	1,038
Amounts deducted on cancellation of units	25	45
Amounts added on issue of units	(89)	(43)
Net distribution for the year	539	1,040
Net revenue after taxation	536	1,040
Expenses taken to capital	3	—
Net distribution for the year	539	1,040

Details of the distribution per unit are set out in the tables on page 24.

# Notes to the financial statements

<b>Note 9 Debtors</b>	30/09/24	30/09/23
	£000	£000
Sales awaiting settlement	38	–
Accrued income	26	13
Prepaid benchmark license fee	32	–
<b>Total debtors</b>	<b>96</b>	<b>13</b>

<b>Note 10 Cash and bank balances</b>	30/09/24	30/09/23
	£000	£000
Cash and bank balances	4	1
Amounts held at futures clearing houses	–	8
<b>Total cash and bank balances</b>	<b>4</b>	<b>9</b>

<b>Note 11 Bank overdraft</b>	30/09/24	30/09/23
	£000	£000
Amounts due to futures clearing houses	–	2
Swaps collateral	7	17
<b>Total bank overdraft</b>	<b>7</b>	<b>19</b>

<b>Note 12 Other creditors</b>	30/09/24	30/09/23
	£000	£000
Cancellations awaiting settlement	44	–
Audit fee payable	13	10
Handling charges payable	–	1
<b>Total other creditors</b>	<b>57</b>	<b>11</b>

<b>Note 13 Reconciliation of units</b>	Class 'B' Accumulation
Opening units issued at 01/10/23	7,646,204
Unit movements in year:	
Units issued	6,626,896
Units cancelled	(2,884,386)
<b>Closing units at 30/09/24</b>	<b>11,388,714</b>

## **Note 14 Contingencies and commitments**

At 30 September 2024 the Fund had no outstanding calls on partly paid shares, no potential underwriting commitments or any other contingent liabilities (30/09/23: £nil).

## **Note 15 Related party transactions**

The Manager, Phoenix Unit Trust Managers Limited (PUTM) is a related party due to PUTM acting as key management personnel to the Fund and is regarded as a controlling party by virtue of having the ability to act in respect of operation of the Fund.

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 100% of the units in Class 'B' Accumulation at the year end (30/09/23: 100%).

The 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 unitholders' funds and Note 8.

Any balances due to/from the Manager or its associates at the current and prior year end in respect of these transactions are shown in Notes 9 and 12.

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# Notes to the financial statements

## Note 16 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 enters 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.

### Counterparty exposure

The types of derivatives held at the balance sheet date were forward foreign currency contracts and inflation rate swaps.

The total position by counterparty at the balance sheet date was as follows:

Counterparty	Forward Foreign Currency Contracts £000	Inflation Rate Swaps £000	Total £000
<b>BNP Paribas</b>			
2024	–	–	–
2023	(14)	–	(14)
<b>Morgan Stanley</b>			
2024	–	7	7
2023	–	24	24
<b>National Westminster Bank</b>			
2024	(1)	–	(1)
2023	–	–	–

At the Balance sheet date the Fund had the following Collateral (held) / pledged on Inflation Rate Swaps.

	30/09/24	30/09/23
	£000	£000
Morgan Stanley	(7)	(17)
Total	<u>(7)</u>	<u>(17)</u>

The nature of collateral (held)/pledged was all cash in the current year and the prior year.

# Notes to the financial statements

## Note 16 Financial instruments (continued)

### Currency exposure

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

Currency	Net currency assets/(liabilities) 30/09/24			Net currency assets/(liabilities) 30/09/23		
	Monetary exposure £000	Non- monetary exposure £000	Total exposure £000	Monetary exposure £000	Non- monetary exposure £000	Total exposure £000
Sterling	33	16,702	16,735	3	10,573	10,576
Euro	–	1	1	(2)	(3)	(5)
New Zealand Dollar	3	(4)	(1)	–	(5)	(5)
US Dollar	–	–	–	(9)	21	12
	36	16,699	16,735	(8)	10,586	10,578

Income received in other currencies is converted to Sterling on or near the date of receipt. 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 30 September 2024 was:

Currency	Fixed rate	Floating rate	Financial assets not carrying interest £000	Total £000
	financial assets £000	financial assets £000		
Sterling	–	16,352	459	16,811
Euro	–	–	159	159
New Zealand Dollar	–	345	3	348
US Dollar	–	–	285	285
	–	16,697	906	17,603

Currency	Floating rate	Financial liabilities not carrying interest £000	Total £000
	financial liabilities £000		
Sterling	(7)	(69)	(76)
Euro	–	(158)	(158)
New Zealand Dollar	–	(349)	(349)
US Dollar	–	(285)	(285)
	(7)	(861)	(868)

# Notes to the financial statements

## Note 16 Financial instruments (continued)

### Interest profile (continued)

The interest rate risk profile of financial assets and liabilities at 30 September 2023 was:

Currency	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets not carrying interest £000	Total £000
Sterling	–	10,286	633	10,919
New Zealand Dollar	–	290	299	589
US Dollar	–	–	96	96
	–	10,576	1,028	11,604

Currency	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	(16)	(327)	(343)
Euro	(2)	(3)	(5)
New Zealand Dollar	–	(594)	(594)
US Dollar	(1)	(83)	(84)
	(19)	(1,007)	(1,026)

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.

Credit Ratings	30/09/24		30/09/23	
	£000	%	£000	%
Investment grade	16,618	100.00	10,503	100.00
Total investment in bonds	16,618	100.00	10,503	100.00

### 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 market value of 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 £2,620,701 (30/09/23: £1,532,707). 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 £834,934 (30/09/23: £529,306). A five percent decrease would have an equal and opposite effect.

# Notes to the financial statements

## Note 17 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 September 2024.

- 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 30/09/24

Level	1	2	3	Total
<b>Investment assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds	16,618	–	–	16,618
Derivatives	–	14	–	14
Money markets	75	–	–	75
	16,693	14	–	16,707
<b>Investment liabilities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Derivatives	–	(8)	–	(8)
	–	(8)	–	(8)

### For the year ended 30/09/23

Level	1	2	3	Total
<b>Investment assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds	10,503	–	–	10,503
Derivatives	12	28	–	40
Money markets	64	–	–	64
	10,579	28	–	10,607
<b>Investment liabilities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Derivatives	(3)	(18)	–	(21)
	(3)	(18)	–	(21)

## Note 18 Portfolio transaction costs

### For the year ended 30/09/24

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
<b>Analysis of total purchases costs</b>								
Bond transactions	14,121	–	–	–	–	–	–	14,121
Total	14,121	–	–	–	–	–	–	14,121
<b>Analysis of total sales costs</b>								
Bond transactions	8,502	–	–	–	–	–	–	8,502
Total	8,502	–	–	–	–	–	–	8,502



# Notes to the financial statements

## Note 18 Portfolio transaction costs (continued)

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

Commission	0.03%
Taxes	0.00%
Other expenses	0.00%

The Fund has paid £4,400 as commission on purchases and sales of derivatives transactions for the year ended 30/09/24.

### For the year ended 30/09/23

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
<b>Analysis of total purchases costs</b>								
Bond transactions	4,428	–	–	–	–	–	–	4,428
Money markets	1,407	–	–	–	–	–	–	1,407
Total	<u>5,835</u>	<u>–</u>		<u>–</u>		<u>–</u>		<u>5,835</u>

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
<b>Analysis of total sales costs</b>								
Bond transactions	4,042	–	–	–	–	–	–	4,042
Money markets	1,476	–	–	–	–	–	–	1,476
Corporate actions	169	–	–	–	–	–	–	169
Total	<u>5,687</u>	<u>–</u>		<u>–</u>		<u>–</u>		<u>5,687</u>

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

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

The Fund has paid £92 as commission on purchases and sales of derivatives transactions for the year ended 30/09/23.

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 0.22% (30/09/23: 0.29%) being the difference between the respective bid and offer prices for the Fund's investments.

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## Distribution tables

For the year ended 30 September 2024

### Interest distributions

#### Interim distribution in pence per unit

Group 1: units purchased prior to 1 October 2023

Group 2: units purchased 1 October 2023 to 31 March 2024

	Gross income	Equalisation	2024 pence per unit paid 31 May	2023 pence per unit paid 31 May
<b>Class 'B' Accumulation</b>				
Group 1	1.2460	—	1.2460	7.4788
Group 2	0.0000	1.2460	1.2460	7.4788

#### Final distribution in pence per unit

Group 1: units purchased prior to 1 April 2024

Group 2: units purchased 1 April 2024 to 30 September 2024

	Gross income	Equalisation	2024 pence per unit payable 30 Nov	2023 pence per unit paid 30 Nov
<b>Class 'B' Accumulation</b>				
Group 1	3.9845	—	3.9845	5.9721
Group 2	3.0664	0.9181	3.9845	5.9721

### 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.

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## Responsibilities of the manager and the trustee

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

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

- 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 issued by the Investment Management 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 Fund'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 Fund 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; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

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

The Manager is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

- b) The Depositary in its capacity as Trustee of the PUTM Bothwell Index-Linked Sterling Hedged 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.

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## 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 Index-Linked Sterling Hedged Fund of the PUTM Bothwell Range of Unit Trusts ("the Trust") for the Period Ended 30 September 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  
23 January 2025

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  
23 January 2025

Michael Eakins, Director  
Frances Clare Maclachlan, Director

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# Independent auditor's report to the unitholders of the PUTM Bothwell Index-Linked Sterling Hedged Fund

## Opinion

We have audited the financial statements of PUTM Bothwell Index Linked Sterling Hedged Fund (the 'Fund') for the year ended 30 September 2024 which comprise the Statement of total return, the Statement of Change in Unitholders' Funds, the Balance sheet, the Related notes and Distribution table for the Fund and the accounting policies set out on pages 13 to 14.

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Fund as at 30th September 2024 and of the net revenue and the net capital gains on the property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going Concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease their operations, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Manager's conclusions, we considered the inherent risks to the Fund's business model and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Manager's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

## Fraud and breaches of laws and regulations - ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Fund's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Manager, the Trustee, the Administrator and the Investment Adviser; and
- Reading board minutes.

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# Independent auditor's report to the unitholders of the PUTM Bothwell Index-Linked Sterling Hedged Fund

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is principally non-judgemental and based on publicly available information, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We identified and selected a sample of journal entries made at the end of the reporting period and tested those substantively including all material post-closing entries. Based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

## ***Identifying and responding to risks of material misstatement due to fraud***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related authorised fund legislation maintained by the Financial Conduct Authority) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection and bribery and corruption legislation recognising the Fund's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## ***Context of the ability of the audit to detect fraud or breaches of law or regulation***

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **Other information**

The Manager is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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# Independent auditor's report to the unitholders of the PUTM Bothwell Index-Linked Sterling Hedged Fund

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Manager's Report for the financial year 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 matters where under the COLL Rules we are required to report to you if, in our opinion:

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

## **Manager's responsibilities**

As explained more fully in its statement set out on page 25, the Manager is responsible for: the preparation of financial statements that give a true and fair view; 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; 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 they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Fund's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued 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 Fund'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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

## **Grant Archer for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS

23 January 2025

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## 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](http://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](http://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](http://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 2023

	Headcount	Total remuneration
<b>Phoenix Unit Trust Managers</b>	2	113,487.36
of which		
Fixed Remuneration	2	71,167.36
Variable Remuneration	1	42,320.00
Carried Interest	n/a	
<b>Highest paid Director's Remuneration</b>		<b>44,005.66</b>

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.



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## 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 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 Index-Linked Sterling Hedged Fund. This has been performed based on the information available as at 30 September 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 are generally comfortable that the Fund meets most of the required Assessment of Value criteria. However, the Fund is not meeting its target outperformance of the benchmark index. PUTM will continue to monitor the Fund's performance and may take action, if required, which could involve change of investment strategy or investment manager.

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

<https://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 <https://www.thephoenixgroup.com/phoenix-unit-trust-managers/>

### 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.

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## Corporate information (unaudited)

### Manager

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

### Directors

#### Michael Eakins

(appointed 29 April 2024)

PUTM Director, Group Chief  
Investment Officer;

#### Frances Clare MacLachlan

(appointed 19 April 2024)

PUTM Director, Chief  
Finance Officer SLF UK,  
Sun Life of Canada;

#### Craig Baker

(resigned 28 April 2024)

PUTM Director, Head of  
Policyholder Assets;

#### Brid Meany

(resigned 19 April 2024)

PUTM Director, Chief  
Executive Phoenix Life;

#### Timothy Harris

Non Executive Director of  
PUTM;

#### Nick Poyntz-Wright

Non Executive Director of  
PUTM;

#### Ian Craston

(appointed 19 September  
2023)

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  
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

KPMG LLP  
319 St. Vincent Street,  
Glasgow G2 5AS

### 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.



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](http://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.

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Registered office: 1 Wythall Green Way, Wythall, Birmingham B47 6WG.

\*Authorised and regulated by the Financial Conduct Authority.