

IFSL Trade Union Unit Trust

Interim Report and Unaudited Financial Statements
for the six month period ended 15 February 2023

IFSL

— Fund Services —



TU Financial Management Services Ltd

IFSL TRADE UNION UNIT TRUST

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

Investment Fund Services Limited (IFSL)
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

Andrew Staley (Non-Executive)
Allan Hamer
Dom Clarke - appointed 30 January 2023
Helen Redmond
Helen Derbyshire
Sally Helston - appointed 12 August 2022
Guy Sears (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

Depository (in it's capacity as Trustee)

HSBC Bank plc
8 Canada Square
London
E14 5HQ

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

Investment Manager

Aberdeen Asset Managers Limited
Bow Bells House
1 Bread Street
London
EC4M 9HH

Authorised and regulated by the Financial Conduct Authority.

Auditor

Shipleys LLP
10 Orange Street
London
WC2H 7DQ

IFSL TRADE UNION UNIT TRUST

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IFSL TRADE UNION UNIT TRUST

AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 15 February 2023

Performance to 15 February 2023

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Trade Union Unit Trust	4.04%	8.58%	12.54%	47.21%
Composite Benchmark ^A	7.51%	4.43%	17.15%	35.56%

^A 60% FTSE All Share Index / 40% MSCI Europe ex. UK Index, +1%

External Source of Economic Data: Morningstar (Income - quoted price to quoted price, net income reinvested).

The performance figures above are based on quoted prices and will, therefore, differ from the performance in the Comparative Table.

Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this unit class is calculated in sterling.

Investment commentary

Market review

European equities made solid gains over the period as fears of rising inflation started to recede and China's reopening boosted share prices. These gains came despite sharp losses in August and September as fears grew that the tighter monetary policy introduced by central banks around the world, to combat rising prices, could spark a global recession. Investor sentiment took heart from signs that inflation had peaked in October and November, raising hopes of less aggressive monetary tightening ahead. Market volatility hit again in December, however, as Covid-19 infections in China surged and the European Central Bank (ECB) warned of further rate hikes in 2023, before optimism returned and prices recovered in the new year.

In the eurozone, annual inflation hit a record high of 10.6% in October before falling back to 10.1% the following month as energy-price increases eased. The ECB raised interest rates four times during the period and European Commission officials predicted that the eurozone economy would contract in the first three months of 2023. However, data published in January suggested that industrial activity and business confidence were starting to pick up following several months of decline. The ongoing conflict in Ukraine continued to affect sentiment in Europe, although falls in energy prices over the winter were welcomed by businesses and households alike.

UK equities also advanced over the period as commodity prices remained strong and inflation concerns started to ease. Inflation in Britain reached 11.1% in October, a 40-year high, before falling back in the months that followed. The Bank of England (BoE) continued to tighten monetary policy over the period by raising the base rate on four occasions. BoE officials said in February that the UK economy was in a healthier state than they had feared in the autumn.

Portfolio review

For the six month period to 15 February 2023, the Fund gained 4.04% in sterling terms. This was behind the benchmark's rise of 7.51%.

The main drivers of this underperformance in sector terms were a lack of holding in the energy sector, in which we have no investments, as well as the Fund's underweight exposure to the basic materials sector. These impacts were offset to some extent by our overweight holdings in technology names, as well as the Fund's underweight exposure to the real estate sector, which performed poorly as a result of continued interest-rate rises.

On a stock-specific basis, Ubisoft Entertainment was the biggest detractor from performance. Its shares fell after Tencent increased its stake in the company in September, effectively removing the potential for a takeover bid. In addition, disappointing trading performance towards the end of 2022 led Ubisoft to warn on future profits and alter its strategy to focus on just a handful of AAA-rated games.

Shares in London Stock Exchange Group declined after giving up some of the strong gains made earlier in the year, while construction software firm Nemetschek also weighed on returns after persistently lagging the market along with other interest rate-sensitive holdings. Diageo underperformed the market towards the end of 2022 along with other defensive stocks, while Adyen shares declined after the company announced it would continue to invest aggressively in headcount, putting short-term profits under pressure.

Conversely, AVEVA Group was the best-performing holding after it accepted a takeover bid from Schneider Electric. Novo Nordisk also added to returns as demand dynamics for its GLP-1 diabetes treatment remained extremely strong and the company made further progress in rebuilding the supply of obesity drug Wegovy. Insurer Prudential outperformed as a result of China's relaxation of its Covid-19 restrictions, with the company set to benefit from the reopening of the border with Hong Kong, where it has a significant business. Lastly, semiconductor firm ASML was positive after reporting solid results for the final quarter of 2022, despite a challenging semiconductor-sector backdrop. The company told investors it expected strong demand levels for its industry-critical extreme ultraviolet tools to continue to outstrip supply.

IFSL TRADE UNION UNIT TRUST

AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 15 February 2023

Outlook

While China's reopening is undoubtedly positive, the outlook for the global economy remains relatively weak. The majority of developed economies are set to feel the lagged impact of significant monetary tightening to cool inflation. Therefore, while demand has held up well thus far, we expect activity to fade and margins for the average company to come under pressure. We have started to see evidence of earnings downgrades for the market coming through following a more downbeat fourth-quarter earnings season.

Against this backdrop, we believe that the case for our quality-led approach is stronger than ever. The valuation de-rating witnessed last year, and the main driver of the 2022 equity market decline, is now behind us. With earnings multiples having contracted to discounted levels in historic terms, the focus is shifting to the resilience of those earnings going forward. We have demonstrated that the Fund's holdings can deliver much stronger and more consistent earnings growth than the market, or indeed European Gross Domestic Product (GDP), over the cycle. This gives us confidence in their ability to deliver longer-term outperformance regardless of the external environment. Our emphasis on the highest-quality companies in Europe translates into businesses with superior pricing power, leaving the portfolio particularly well-positioned for a scenario of persistently higher inflation. We have bought more of these companies over the past year and are excited by the compelling upside potential in multiple holdings at current levels following a period of valuation dislocation.

Our strategy is thus unchanged. Our focus remains on what we can control – researching, engaging with, and investing in great companies at attractive prices. We may not know exactly how the economic or geopolitical landscape will unfold, but we believe that our companies are in a strong position to deliver superior earnings growth with high returns on capital and strong sustainability credentials. We will remain alive to the unfolding risks and opportunities, and as the external environment changes, we will continue to look to adapt the Fund's positioning accordingly.

Aberdeen Asset Managers Limited
10 March 2023

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Distributions

	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>
<u>Income units (pence per unit)</u>				
Net income paid 15 April	-	-	-	-
Net income paid 15 October		3.1167	3.8192	4.6376

Portfolio changes

<u>Purchases</u>	<u>Cost (£)</u>
Hiscox	2,222,620
Unilever	1,825,036
Coca-Cola HBC	1,510,071
Experian	747,748
Croda International	733,993
Halma	726,900
Dechra Pharmaceuticals	724,885
Adyen	334,657
Total purchases for the period	8,825,910
<u>Sales</u>	<u>Proceeds (£)</u>
AVEVA Group	4,171,453
Nestlé	2,139,539
Rentokil Initial	1,444,568
ASML Holding	1,046,166
RELX	746,699
London Stock Exchange Group	743,524
Prosus	368,629
Novo Nordisk 'B'	293,301
Total sales for the period	10,953,879

IFSL TRADE UNION UNIT TRUST

AUTHORISED STATUS

IFSL Trade Union Unit Trust (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

GENERAL INFORMATION

Investment objective

The investment objective of the Fund is to provide capital growth, that is, to increase the value of an investment, over a minimum of 5 years, together with some income, which is money paid out of an investment such as dividends from shares.

The Fund aims to outperform the benchmark (60% FTSE All Share Index and 40% MSCI Europe ex UK Index) by 1% each year over any 3 year period, with income reinvested and after any charges have been taken out of the Fund. However, there is no certainty this will be achieved.

Investment policy

At least 80% of the Fund will be invested in the shares of companies listed on UK and European stock markets, with between 50-70% invested in the UK and 30-50% elsewhere in Europe.

The Fund is actively managed which means the Investment Manager decides which investments to buy or sell and when. Investment decisions are taken based on individual company research in addition to the Investment Manager's view on global economic and market conditions.

The Investment Manager uses the FTSE All Share and MSCI Europe ex UK indices as a reference point when constructing the portfolio and for risk management purposes.

From time to time the Fund may also hold other funds (which could include other funds managed by the Manager or the Investment Manager), which themselves invest in UK and European companies although this will not exceed 5%.

The Fund will typically hold a small cash balance (less than 5%) to enable the ready settlement of liabilities, for the efficient management of the Fund and in pursuit of the Fund's objectives although may occasionally exceed this figure. The Fund may also use money market funds for cash management purposes.

Performance target

The performance target is the level of performance the Fund aims to deliver.

The Manager believes the target is appropriate based on the investment policy of the Fund and the constituents of each index.

Rights and terms attaching to each unit class

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Changes in prospectus

There have been no significant changes since the last annual report.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the AFM's range, can be requested by the investor at any time.

IFSL TRADE UNION UNIT TRUST

DIRECTORS' STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



Allan Hamer
Director



Helen Redmond
Director

Investment Fund Services Limited
5 April 2023

IFSL TRADE UNION UNIT TRUST

COMPARATIVE TABLE

<u>Income units</u>	Period to 15.02.2023	Year to 15.08.2022	Year to 15.08.2021	Year to 15.08.2020
Change in net assets per unit	pence	pence	pence	pence
Opening net asset value per unit	899.47	984.50	827.96	765.86
Return before operating charges*	41.02	(72.17)	170.04	75.29
Operating charges	(4.68)	(9.74)	(9.68)	(8.55)
Return after operating charges*	36.34	(81.91)	160.36	66.74
Distributions on income units	-	(3.12)	(3.82)	(4.64)
Closing net asset value per unit	935.81	899.47	984.50	827.96
* after direct transaction costs of:	0.38	0.70	0.96	0.74
Performance				
Return after charges ^A	4.04%	(8.32)%	19.37%	8.71%
Other information				
Closing net asset value (£)	76,376,015	75,186,341	83,928,028	72,444,735
Closing number of units	8,161,448	8,358,968	8,524,918	8,749,823
Operating charges	1.07% ^{B,C}	1.07% ^B	1.09% ^B	1.09%
Direct transaction costs	0.08% ^C	0.08%	0.11%	0.09%
Prices (pence per unit)				
Highest unit price	936.50	1,011.00	988.80	854.10
Lowest unit price	792.60	780.10	816.80	611.40

^A The return after charges is calculated using the underlying investments bid prices.

^B From 30 April 2021, the Operating Charges (or Ongoing Charges Figure) calculation has been extended to include, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

^C These figures have been annualised.

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average units in issue for the pence per unit figures.

SYNTHETIC RISK AND REWARD INDICATOR

Lower risk Higher risk

←-----→

Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
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This indicator aims to give you a measure of the price movement of the Fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.

The Fund has been measured as 6 because its investments have experienced high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

IFSL TRADE UNION UNIT TRUST

PORTFOLIO STATEMENT

as at 15 February 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
BELGIUM (15 August 2022 - 2.24%)		
84,706 Azelis Group	1,932,499	2.53
Total Belgium	<u>1,932,499</u>	<u>2.53</u>
DENMARK (15 August 2022 - 5.60%)		
32,744 Novo Nordisk 'B'	3,825,124	5.01
11,909 Ørsted	884,637	1.16
Total Denmark	<u>4,709,761</u>	<u>6.17</u>
FRANCE (15 August 2022 - 9.69%)		
37,458 Edenred	1,712,476	2.24
7,284 L'Oréal	2,535,065	3.32
2,754 LVMH Moët Hennessy Louis Vuitton	2,023,145	2.65
46,791 Ubisoft Entertainment	824,734	1.08
Total France	<u>7,095,420</u>	<u>9.29</u>
GERMANY (15 August 2022 - 3.88%)		
10,012 Hannover Rück	1,591,261	2.08
27,366 Nemetschek	1,270,547	1.66
Total Germany	<u>2,861,808</u>	<u>3.74</u>
ITALY (15 August 2022 - 1.94%)		
56,058 Amplifon	1,387,985	1.82
Total Italy	<u>1,387,985</u>	<u>1.82</u>
JERSEY (15 August 2022 - 2.27%)		
84,097 Experian	2,517,023	3.30
Total Jersey	<u>2,517,023</u>	<u>3.30</u>
NETHERLANDS (15 August 2022 - 9.80%)		
1,294 Adyen	1,599,315	2.09
6,870 ASML Holding	3,809,088	4.99
24,856 Prosus	1,652,407	2.16
Total Netherlands	<u>7,060,810</u>	<u>9.24</u>
NORWAY (15 August 2022 - 1.85%)		
88,963 Schibsted 'B'	1,555,134	2.04
Total Norway	<u>1,555,134</u>	<u>2.04</u>
SWITZERLAND (15 August 2022 - 8.14%)		
77,700 Coca-Cola HBC	1,632,477	2.14
4,491 Lonza Group	2,225,344	2.91
7,406 Sika	1,740,340	2.28
Total Switzerland	<u>5,598,161</u>	<u>7.33</u>
UNITED KINGDOM (15 August 2022 - 53.92%)		
52,232 AstraZeneca	6,009,814	7.87
32,194 Croda International	2,216,235	2.90
64,353 Dechra Pharmaceuticals	1,946,035	2.55
116,193 Diageo	4,126,014	5.40
56,163 Genus	1,511,908	1.98
97,205 Halma	2,184,196	2.86
197,244 Hiscox	2,199,271	2.88
135,860 Intermediate Capital Group	1,957,743	2.56
50,713 London Stock Exchange Group	3,906,930	5.12
276,666 Prudential	3,575,908	4.68
167,444 RELX	4,077,261	5.34
12,877 Spirax-Sarco Engineering	1,552,322	2.03
79,410 Unilever	3,386,043	4.43
120,831 Weir Group	2,229,332	2.92
Total United Kingdom	<u>40,879,012</u>	<u>53.52</u>

IFSL TRADE UNION UNIT TRUST

PORTFOLIO STATEMENT

as at 15 February 2023

	Bid value £	Percentage of total net assets %
Portfolio of investments	75,597,613	98.98
Net other assets	778,402	1.02
Total net assets	<u>76,376,015</u>	<u>100.00</u>

PORTFOLIO TRANSACTIONS

for the six month period ended 28 February 2023

	£
Total purchases costs, including transaction charges	8,825,910
Total sales proceeds, net of transaction charges	10,953,879

IFSL TRADE UNION UNIT TRUST

STATEMENT OF TOTAL RETURN

for the six month period ended 15 February 2023

	15 February 2023		15 February 2022	
	£	£	£	£
Income:				
Net capital gains/(losses)		3,074,531		(9,932,342)
Revenue	270,062		246,075	
Expenses	<u>(384,970)</u>		<u>(441,999)</u>	
Net expense before taxation	(114,908)		(195,924)	
Taxation	<u>(1,888)</u>		<u>(7,392)</u>	
Net expense after taxation		<u>(116,796)</u>		<u>(203,316)</u>
Total return before distributions		2,957,735		(10,135,658)
Distributions		4		5
Change in net assets attributable to unitholders from investment activities		<u>2,957,739</u>		<u>(10,135,653)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six month period ended 15 February 2023

	15 February 2023		15 February 2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		^A 75,186,341		83,928,028
Amounts receivable on issue of units	187,266		471,728	
Amounts payable on cancellation of units	<u>(1,956,408)</u>		<u>(1,181,631)</u>	
		(1,769,142)		(709,903)
Change in net assets attributable to unitholders from investment activities		2,957,739		(10,135,653)
Unclaimed distributions		1,077		36
Closing net assets attributable to unitholders		<u>76,376,015</u>		^A <u>73,082,508</u>

^A These figures are not the same as the comparatives are taken from the preceding interim period and not the last final accounts.

IFSL TRADE UNION UNIT TRUST

BALANCE SHEET

as at 15 February 2023

	15 February 2023 £	15 August 2022 £
Assets:		
Fixed Assets:		
Investments	75,597,613	74,678,893
Current Assets:		
Debtors	172,517	281,761
Cash and bank balances	906,181	547,447
Total assets	<u>76,676,311</u>	<u>75,508,101</u>
Liabilities:		
Creditors:		
Distribution payable	-	260,528
Bank overdrafts	251,961	1,100
Other creditors	48,335	60,132
Total liabilities	<u>300,296</u>	<u>321,760</u>
Net assets attributable to unitholders	<u><u>76,376,015</u></u>	<u><u>75,186,341</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 15 February 2023

Basis for preparation

The interim financial statements have been prepared in compliance with Financial Reporting Standard (FRS) 102 and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Management Association (renamed to the Investment Association) in May 2014, and amended in June 2017.

The interim financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The interim financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 15 August 2022 and are described in those annual financial statements.

The investments of the Fund have been valued at their fair value at 12 noon on 15 February 2023.

Investment Fund Services Limited
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