

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND
(formerly Marlborough High Yield Fixed Interest Fund)

Annual Report and Audited Financial Statements
for the year ended 31 December 2021

IFSL

— Fund Services —

Marlborough

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

CONTACT INFORMATION

Authorised Fund Manager and Registrar

(from 26 November 2021)

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 Investment Fund Services Limited

Andrew Staley (Non-Executive)
Allan Hamer
Wayne D Green
Helen Redmond
Helen Derbyshire
David Kiddie (Independent Non-Executive) -
resigned 2 December 2021
Guy Sears (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

Authorised Fund Manager and Registrar

(to 26 November 2021)

Marlborough Fund Managers Ltd
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of Marlborough Fund Managers Ltd

Andrew Staley (Non-Executive)
Nicholas F J Cooling
Allan Hamer
Wayne D Green
Dom Clarke
Helen Derbyshire
Richard Goodall
Geoffrey Hitchin (Non-Executive)
Guy Sears (Independent Non-Executive)
David Kiddie (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

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 Adviser

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

Authorised and regulated by the Financial Conduct Authority.

Auditor

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 December 2021

Percentage change and sector position to 31 December 2021

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>01/12/2004*</u>
Marlborough High Yield Fixed Interest Fund	0.73%	4.14%	20.28%	24.90%	196.60%
IA Sterling High Yield	0.78%	4.24%	20.10%	23.12%	153.45%
Quartile Ranking**	3	3	3	2	2

* Since end of launch period. ** Based on ranking within The Investment Association Sterling High Yield Sector.

External Source of Economic Data: Morningstar (Class P - quoted price to quoted price, gross income reinvested).

Class P units first priced on 2 January 2013. In the period to that date, the past performance information for the Class A units has been used.

After three consecutive months of negative returns the European high yield market left the best until last. The 0.9% return in December was the strongest monthly return of the year and capped a decent annual return of 3.4% (4% hedged to GBP). This compares against -1.1% for Euro investment-grade and -3.6% for the 10yr Bund. As had been the case for much of the year, and to a much larger degree than the US high yield market, lower rated and shorter dated were the biggest winners (longer dated actually outperformed in the US). BBs finished the year with a return of 2.2%, Bs returned 4.7% and CCCs returned a hefty 11.5% (though this only represents 6% of the market). Longer dated bonds materially underperformed with 10+yr maturity bonds returning 1.1% compared against 4.2% for the 1-3yr maturity basket. As we moved through year and vaccination rates increased the most covid-exposed sectors were notable outperformers whereas more defensive sectors lagged. Over the year Leisure was the best performing sector with a return of 5.6% while Retail closely followed with 5.4% whereas Telecommunications and Utilities were notable laggards with returns of 1.5% and 1.9% respectively. The worst performing sector, and the only one to post a negative return, was Real Estate (-0.5%) though this was almost entirely to do with one credit, Adler, after short selling reports emerged suggesting they had inflated their asset values on the balance sheet. The strong relative performance of the fund over the course of the year was driven by a combination of top down positioning (in terms of sectors, ratings and duration) as well as strong stock selection. The two biggest contributors to performance came from the UK in Enquest, the North Sea oil producer, and Matalan, the value clothing retailer. Enquest bonds traded in the 60s a year ago as Covid put pressure on oil demand and the balance sheet looked over-stretched given the short maturity schedule of their debt. The strong rally in oil and better than expected operational performance drove the bonds close to par by year end. Matalan bonds traded in the 70s at the start of 2021 and similarly rallied close to par by year end after better than expected demand for their products and strong inventory management made a refinancing of their debt more viable. Our biggest detractors from performance were Monte Dei Pashi after the expected takeover by Unicredit fell through late in the period putting the subordinated bonds under pressure given the substantial difference in funding costs between the two banks. Nets, the payment processing business, was a drag to performance after the company announced they would not be repaying the bonds at a premium post the acquisition by Nexi, which was something we expected, and would instead let the bonds run-of until their maturity in 2024.

Looking at valuations, the market finished the year with a yield to worst of 3% and a spread to worst of 348bps. Amazingly, the market yield a year ago was exactly the same though the spread was wider at 369bps (due to lower Bund yields in 2020). It was an unusual year in that the return was almost exactly in line with the income yield of 3.8% (the income yield is now slightly lower at 3.7%). Although the long term return of the high yield market is very similar to the long term coupon one of the quirks of the asset class is that it is very rare we get a "carry return" in any given year. 2021 was also exceptional in terms of the level of new issuance. The €150bn of gross supply beat the previous record set last year by 45%. The net amount of €88bn was an increase of 52% year on year and represented a larger number than all but two of the gross issuance numbers prior to 2021. The vast majority of the supply was fairly equally weighted between BBs and Bs though CCCs did increase to 6% of the total (which as mentioned above is in line with the weighting of the wider market). The relatively subdued amount of CCC issuance is one indicator that we have not yet reached the late phase of the credit cycle.

We expect 2022 to be broadly similar to 2021 though we suspect risk assets returns will be slightly more subdued given central banks will be less accommodative. Economies will continue to emerge from the pandemic and this should both spur growth but also ease up many of the supply chain issues that caused such disruption (and inflation) across a broad array of sectors. Having said that, we do believe that some of the inflationary forces at work today are structural in nature and are leaning on the side of the argument that inflation will not dissipate quite as quickly, or to the extent, that many central bankers are predicting. We do take comfort, however, from the fact that markets have been consistently leading the central banks, not the other way around, which is one of the reasons risk assets have continued to perform in an increasingly hawkish environment. We think this will continue to put pressure on government bond yields but not to an extent that will shock financial markets. In other words we think the direction of travel is higher but that the trajectory should be reasonably well absorbed by markets. Given corporate fundamentals are strong, and improving, that capital markets are functioning efficiently and that equity markets remain supportive we think default losses will be extremely low again this year. This will underpin the asset class and drive positive returns even if we do experience some yield widening and inevitable bouts of volatility.

Aberdeen Asset Managers Limited
31 January 2022

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 December 2021

Distributions (pence per unit)

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
<u>A Income</u>				
Net income paid last day of February	0.701305	0.746734	0.637591	0.806893
Net income paid 31 May		0.747477	0.691536	0.743758
Net income paid 31 August		0.767764	0.694941	0.753201
Net income paid 30 November		0.754133	0.764977	0.647313
<u>P Income</u>				
Net income paid last day of February	0.796087	0.838495	0.724968	0.894457
Net income paid 31 May		0.840684	0.778392	0.827947
Net income paid 31 August		0.863363	0.778063	0.840365
Net income paid 30 November		0.850893	0.854564	0.733936

Portfolio changes

Largest purchases				Cost (£)
Carnival 10.125% 01.02.26				711,171
The Very Group Funding 6.5% 01.08.26				580,000
Verisure Holding 3.25% 15.02.27				513,110
Kedrion 3.375% 15.05.26				497,320
Schaeffler 2.875% 26.03.27				482,589
Mobilux Finance 5.5% 15.11.24				473,490
Dufry One 3.375 15.04.28				454,858
Jerrold Finco 5.25% 15.01.27				433,000
Summer Bidco 5.75% 31.10.26				428,617
Albion Financing 1 / Aggreko Holdings 5.25% 15.10.26				422,496
Other purchases				15,001,543
Total purchases for the year				19,998,194
Largest sales				Proceeds (£)
Ziggo Bond Company 3.375% 28.02.30				1,306,695
Virgin Money UK 8% Perp				1,042,862
Arrow Global Finance 5.125% 15.09.24				835,000
RCI Banque 2.625% 18.02.30				776,103
Shop Direct Funding 7.75% 15.11.22				774,729
OCI 3.125% 01.11.24				693,459
Stichting AK Rabobank Certificaten 6.5% Perp				668,019
Lloyds Banking Group 2.707% 03.12.35				650,924
Ford Motor Company 8.5% 21.04.23				614,234
Consus Real Estate 9.625% 15.05.24				606,133
Other sales				15,804,877
Total sales for the year				23,773,035

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

IFSL Marlborough High Yield Fixed Interest Fund (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.

Investment objective and policy

The investment objective of the Fund is to provide investors with income, that is, money paid out of your investment as interest, as well as the opportunity for some growth over a period of five or more years, however, there is no certainty this will be achieved.

At least 80% of the Fund will be invested in high yield bonds issued by companies and institutions. These will be sub-investment grade or unrated bonds, which are loans issued by entities which can be more vulnerable to changing market conditions that typically pay higher rates of interest than investment grade bonds.

The Fund may also invest in investment grade bonds, bonds issued by governments, bonds which may be converted into shares (known as convertible bonds), preference shares, permanent interest bearing shares and money market instruments (which are shorter term loans). Whilst the Fund will not buy shares in companies there may be times where the Fund holds shares following a restructuring of an existing holding.

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

The investment manager uses the ICE Bank of America Merrill Lynch European Currency High Yield Constrained (hedged to sterling) Index as a reference point when constructing the portfolio and for risk management purposes.

The Fund uses derivatives (instruments whose returns are linked to another asset, market or other variable factor) and forward transactions linked to exchange rates, for the purposes of efficient portfolio management in order to reduce currency risk in the Fund, also known as hedging.

The Fund will typically hold less than 5% in cash 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's investment policy puts it in the IA Sterling High Yield sector.

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.

Assessment of value

The Manager is required to carry out an assessment of value at least annually and publish its findings in a report to investors. IFSL Marlborough High Yield Fixed Interest Fund is assessed and reported on, in a composite report which the Manager publishes on the website www.ifslfunds.com. The next report is expected to be published in a composite report by 30 September 2022.

Changes in prospectus

On the 26 November 2021: the authorised fund manager changed from Marlborough Fund Managers Limited to another Marlborough Group company, Investment Fund Services Limited (IFSL); and the name of the Fund changed from Marlborough High Yield Fixed Interest Fund to IFSL Marlborough High Yield Fixed Interest Fund.

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 MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Remuneration policy

In line with the requirements of UCITS V, Investment Fund Services Limited and the former Authorised Fund Manager, Marlborough Fund Managers Limited, are subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2021 are set out below:

	Number of identified staff	Total remuneration paid £	Fixed remuneration paid £	Variable remuneration paid £
Remuneration paid to staff of the UCITS Manager^A who have a material impact on the risk profile of the Fund				
Senior management	9	721,509	600,044	121,465
Risk takers and other identified staff	3	114,005	89,292	24,713
Allocation of total remuneration of the employees of the UCITS Manager to the Fund				
Senior management	0.03	5,374	4,469	905
Risk takers and other identified staff	0.01	849	665	184

The total number of staff employed by the UCITS Manager's group was 226 as at 30 September 2021. The total remuneration paid to those staff was £9,995,870 of which £5,102,703 is attributable to the UCITS Manager.

The allocation of remuneration to the UCITS Manager is based on Assets Under Management (AUM). The allocation of remuneration to the Fund is based on AUM where staff are not directly allocated to the Fund and the figures disclosed only include remuneration paid to individuals directly employed by the UCITS Manager's group. The way these disclosures are calculated may change in the future.

^A The UCITS Manager remuneration disclosure given above are for Marlborough Fund Managers Limited, the Authorised Fund Manager until 25 November 2021.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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



WAYNE D GREEN
DIRECTOR

INVESTMENT FUND SERVICES LIMITED

23 February 2022

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net capital gains on the property of the Fund for the year.

In preparing those financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 and amended in June 2017;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of IFSL Marlborough High Yield Fixed Interest Fund ("the Trust") for the period ended 31 December 2021

The Depositary in its capacity as Trustee of IFSL Marlborough High Yield Fixed Interest 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.

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.

HSBC BANK PLC

LONDON

23 February 2022

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND (FORMERLY MARLBOROUGH HIGH YIELD FIXED INTEREST FUND)

Opinion

We have audited the financial statements of IFSL Marlborough High Yield Fixed Interest Fund ("the Fund") for the year ended 31 December 2021, which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund set out on pages 17 to 19, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' .

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2021 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our audit report thereon. The Manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our audit report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND (FORMERLY MARLBOROUGH HIGH YIELD FIXED INTEREST FUND)

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Manager

As explained more fully in the Manager's Responsibilities Statement set out on page 5, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND (FORMERLY MARLBOROUGH HIGH YIELD FIXED INTEREST FUND)

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

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

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

Use of our report

This report is made solely to the Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the 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.

Ernst & Young LLP
Statutory Auditor
Edinburgh

23 February 2022

Notes:

1. The maintenance and integrity of the Marlborough Fund Managers Ltd website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND
COMPARATIVE TABLE
A Income units

Change in net assets per unit	Year to 31.12.2021 pence	Year to 31.12.2020 pence	Year to 31.12.2019 pence
Opening net asset value per unit	71.65	72.46	68.41
Return before operating charges*	3.80	3.20	7.96
Operating charges	(1.15)	(1.11)	(1.13)
Return after operating charges*	2.65	2.09	6.83
Distributions on income units	(2.97)	(2.90)	(2.78)
Closing net asset value per unit	71.33	71.65	72.46

* after direct transaction costs of:

Performance

Return after charges	3.70% ^A	2.88%	9.98%
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Other information

Closing net asset value (£)	19,986,098	23,848,734	34,994,748
Closing number of units	28,020,830	33,287,330	48,296,581
Operating charges	1.58%	1.61%	1.58%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	73.71p	73.60p	75.49p
Lowest unit price	71.62p	58.63p	68.06p

P Income units

Change in net assets per unit	Year to 31.12.2021 pence	Year to 31.12.2020 pence	Year to 31.12.2019 pence
Opening net asset value per unit	73.84	74.40	69.98
Return before operating charges*	3.92	3.30	8.16
Operating charges	(0.62)	(0.61)	(0.61)
Return after operating charges*	3.30	2.69	7.55
Distributions on income units	(3.35)	(3.25)	(3.13)
Closing net asset value per unit	73.79	73.84	74.40

* after direct transaction costs of:

Performance

Return after charges	4.47% ^A	3.62%	10.79%
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Other information

Closing net asset value (£)	29,221,074	30,322,917	35,853,332
Closing number of units	39,599,576	41,064,953	48,188,860
Operating charges	0.83%	0.86%	0.83%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

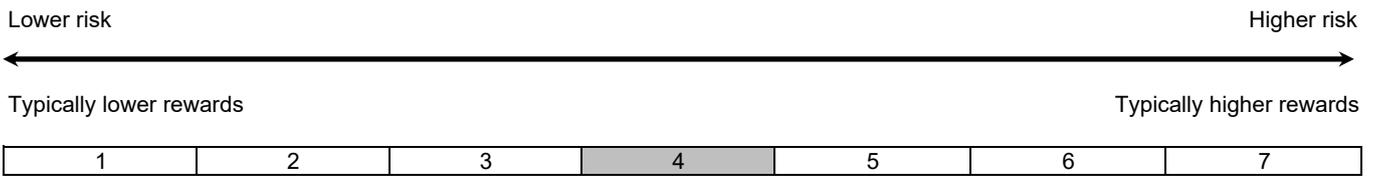
Highest unit price	76.14p	75.65p	75.39p
Lowest unit price	74.01p	60.30p	69.93p

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

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the year. Direct transaction costs are the total charges for the year, 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 year and the average units in issue for the pence per unit figures.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

SYNTHETIC RISK AND REWARD INDICATOR



The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

The Fund has been measured as 4 because it has experienced moderate volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 December 2021

Holding or nominal value		Bid value £	Percentage of total net assets %
STERLING (31 December 2020 - 22.95%)			
131,000	AA Bond Co 6.5% 31.01.26	133,083	0.27
384,000	Ardagh Packaging Finance 4.75% 15.07.27	383,693	0.78
911,000	Arqiva Broadcast Finance 6.75% 30.09.23	922,369	1.87
205,000	B&M European Value Retail 4% 15.11.28	205,783	0.42
200,000	Barclays 7.875% Perp	208,168	0.42
247,000	Bellis Acquisition 3.25% 16.02.26	237,710	0.48
273,000	Bellis Finco 4% 16.02.27	257,818	0.52
380,000	Cidron Aida Finco 6.25% 01.04.28	376,382	0.77
265,000	Constellation Automotive Financing 4.875% 15.07.27	260,529	0.53
150,000	Encore Capital Group 4.25% 01.06.28	147,825	0.30
692,000	Encore Capital Group 5.375% 15.02.26	715,653	1.45
522,084	EnQuest 7% 15.04.22	495,390	1.01
533,000	Garfunkelux Holdco 3 7.75% 01.11.25	553,014	1.12
100,000	Jaguar Land Rover Automotive 3.875% 01.03.23	100,778	0.21
163,000	Jerrold Finco 4.875% 15.01.26	164,817	0.34
250,000	Jerrold Finco 5.25% 15.01.27	253,652	0.52
400,000	La Financière Atalian 6.625% 15.05.25	395,548	0.80
430,000	Matalan Finance 6.75% 31.01.23	401,160	0.82
724,000	Moto Finance 4.5% 01.10.22	710,780	1.44
338,000	National Express Group 4.25% Perp	343,858	0.70
325,000	Petróleos Mexicanos 8.25% 02.06.22	331,906	0.67
366,000	Premier Foods Finance 3.5% 15.10.26	361,948	0.74
126,000	Punch Finance 6.125% 30.06.26	126,076	0.26
568,000	Rolls-Royce 5.75% 15.10.27	630,452	1.28
520,000	TalkTalk Telecom Group 3.875% 20.02.25	495,243	1.01
400,000	Thames Water (Kemble) Finance 4.625% 19.05.26	407,784	0.83
100,000	Thames Water (Kemble) Finance 5.875% 15.07.22	102,186	0.21
580,000	The Very Group Funding 6.5% 01.08.26	577,489	1.17
291,000	Virgin Media Secured Finance 4.25% 15.01.30	287,531	0.58
965,000	Virgin Media Vendor Financing Notes III 4.875% 15.07.28	964,691	1.96
160,000	Voyage Care Bondco 10% 01.11.23	152,621	0.31
382,000	Voyage Care Bondco 5.875% 01.05.23	380,732	0.77
150,000	Wheel Bidco 6.75% 15.07.26	146,893	0.30
	Total Sterling	<u>12,233,562</u>	<u>24.86</u>
EURO (31 December 2020 - 73.23%)			
200,000	Abertis Infraestructuras Finance 3.248% Perp	171,057	0.35
136,000	Adevinta 2.625% 15.11.25	116,665	0.24
575,000	Adient Global Holdings 3.5% 15.08.24	488,199	0.99
200,000	Adler Group 2.25% 14.01.29	139,031	0.28
200,000	Adler Group 3.25% 05.08.25	145,486	0.30
100,000	Adler Real Estate 1.875% 27.04.23	78,914	0.16
100,000	Adler Real Estate 3% 27.04.26	76,979	0.16
496,000	Albion Financing 1 / Aggreko Holdings 5.25% 15.10.26	419,825	0.85
860,000	Altice Finco 4.75% 15.01.28	685,626	1.39
1,200,000	Altice France 8% 15.05.27	1,064,663	2.16
300,000	ARD Finance 5% 30.06.27	258,354	0.53
186,000	Ardagh Packaging Finance 2.125% 15.08.26	152,849	0.31
169,000	Ashland Services 2% 30.01.28	144,416	0.29
190,000	Atlantia 1.875% 12.02.28	163,211	0.33
693,000	Autostrade per l'Italia 2% 04.12.28	602,572	1.22
620,000	Banff Merger Sub 8.375% 01.09.26	542,274	1.10
400,000	BK LC Lux Finco 1 5.25% 30.04.29	347,012	0.71
400,000	Carnival 10.125% 01.02.26	379,590	0.77
227,000	Chrome Bidco 3.5% 31.05.28	192,555	0.39
243,000	Chrome Holdco 5% 31.05.29	205,152	0.42
289,000	Cidron Aida Finco 5% 01.04.28	244,222	0.50
404,205	Cirsa Finance International 6.25% 20.12.23	343,078	0.70
162,000	Cirsa Finance International FRN 30.09.25	132,577	0.27
300,000	Colfax 3.25% 15.05.25	253,319	0.52

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND
PORTFOLIO STATEMENT

as at 31 December 2021

Holding or nominal value		Bid value £	Percentage of total net assets %
EURO (continued)			
291,000	CT Investment 5.5% 15.04.26	246,279	0.50
380,000	CTC BondCo 5.25% 15.12.25	322,578	0.66
474,000	Cullinan Holdco 4.625% 15.10.26	402,752	0.82
300,000	DDM Debt 9% 19.04.26	252,021	0.51
522,199	Diocle FRN 30.06.26	439,702	0.89
530,000	Dufry One 3.375 15.04.28	430,933	0.88
150,000	EG Global Finance 3.625% 07.02.24	125,100	0.25
500,000	EG Global Finance 4.375% 07.02.25	421,426	0.86
165,000	Faurecia 2.375% 15.06.27	138,942	0.28
160,000	Faurecia 3.125% 15.06.26	137,664	0.28
250,000	Faurecia 3.75% 15.06.28	219,129	0.45
381,000	Gamma Bidco 6.25% 15.07.25	328,071	0.67
212,000	Garfunkelux Holdco 3 6.75% 01.11.25	184,550	0.38
224,000	Golden Goose FRN 14.05.27	186,917	0.38
137,000	Graphic Packaging International 2.625% 01.02.29	117,147	0.24
279,000	Grüenthal 3.625% 15.11.26	240,351	0.49
203,000	Grüenthal 4.125% 15.05.28	175,638	0.36
100,000	HSE Finance 5.625% 15.10.26	85,987	0.17
132,000	HSE Finance 5.75% 15.10.26	112,536	0.23
195,000	HT Troplast 9.25% 15.07.25	176,076	0.36
175,000	IHO Verwaltungs 3.625% 15.05.25	148,782	0.30
175,000	IHO Verwaltungs 3.875% 15.05.27	149,844	0.30
247,000	Iliad Holding 5.125% 15.10.26	216,429	0.44
275,000	INEOS Finance 3.375% 31.03.26	235,662	0.48
499,000	INEOS Styrolution 2.25% 16.01.27	407,819	0.83
280,000	International Game Technology 3.5% 15.07.24	246,366	0.50
308,000	Intrum 3.5% 15.07.26	261,611	0.53
332,000	Intrum 4.875% 15.08.25	289,278	0.59
130,000	Jaguar Land Rover Automotive 4.5% 15.07.28	111,404	0.23
245,000	Jaguar Land Rover Automotive 6.875% 15.11.26	233,011	0.47
572,000	Kedrion 3.375% 15.05.26	477,739	0.97
105,000	Kleopatra Finco 4.25% 01.03.26	85,032	0.17
269,000	Kleopatra Holdings 2 6.5% 01.09.26	206,081	0.42
130,000	La Financière Atalian 4% 15.05.24	107,079	0.22
330,000	Leather 2 FRN 30.09.28	277,309	0.56
338,870	LHMC Finco 2 7.25% 02.10.25	279,326	0.57
1,133,000	Lincoln Financing 3.625% 01.04.24	957,653	1.95
736,000	Matterhorn Telecom Holding 3.125% 15.09.26	615,634	1.25
210,000	Mobilux Finance 4.25% 15.07.28	175,513	0.36
375,000	Monitchem Holdco 3 5.25% 15.03.25	321,342	0.65
300,000	Monitchem Holdco 3 FRN 15.03.25	252,064	0.51
390,000	Motion Finco 7% 15.05.25	341,908	0.69
394,000	Nassa Topco 2.875% 06.04.24	334,284	0.68
680,000	Netflix 3.625% 15.05.27	655,042	1.33
109,000	Nidda BondCo 5% 30.09.25	90,794	0.18
488,000	Nidda Healthcare Holding 3.5% 30.09.24	408,803	0.83
462,000	Nobel Bidco 3.125% 15.06.28	378,609	0.77
150,000	Nomad Foods 2.5% 24.06.28	126,057	0.26
407,000	Novafives 5% 15.06.25	320,702	0.65
158,000	Novelis Sheet Ingot 3.375% 15.04.29	136,710	0.28
430,000	Organon Finance 1 2.875% 30.04.28	363,318	0.74
197,000	Paprec Holding 3.5% 01.07.28	167,955	0.34
180,000	Petróleos Mexicanos 5.5% 24.02.25	163,632	0.33
1,100,000	Petróleos Mexicanos 4.75% 26.02.29	908,028	1.85
450,000	Picard Groupe 3.875% 01.07.26	382,186	0.78
744,000	PrestigeBidCo 6.25% 15.12.23	625,406	1.27
168,000	Rolls-Royce 4.625% 16.02.26	156,056	0.32
200,000	Samvardhana Motherson Automotive Systems Group 1.8% 06.07.24	165,995	0.34
216,000	SAZKA Group 4.125% 20.11.24	183,134	0.37
520,000	Schaeffler 2.875% 26.03.27	473,043	0.96

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND
PORTFOLIO STATEMENT

as at 31 December 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
EURO (continued)		
300,000 Schaeffler 3.375% 12.10.28	280,608	0.57
321,000 Sigma Holdco 5.75% 15.05.26	248,272	0.50
170,000 Sofima Holding 3.75% 15.01.28	142,861	0.29
198,000 Sofima Holding FRN 15.01.28	164,722	0.33
896,000 SoftBank Group 5% 15.04.28	772,896	1.57
350,000 SoftBank Group 5.25% 30.07.27	307,451	0.62
416,450 Stichting AK Rabobank Certificaten 6.5% Perp	480,555	0.98
475,000 Summer Bidco 5.75% 31.10.26	414,898	0.84
461,450 Summer BidCo 9% 15.11.25	394,686	0.80
102,681 Summer Bidco 9.75% 15.11.25	87,789	0.18
414,000 Techem Verwaltungsgesellschaft 674 2% 15.07.25	343,787	0.70
735,010 Techem Verwaltungsgesellschaft 674 6% 30.07.26	634,723	1.29
304,000 Tele Columbus 3.875% 02.05.25	251,400	0.51
100,000 Telefónica Europe 3% Perp	86,544	0.18
1,385,000 Teva Pharmaceutical Finance Netherlands II 4.5% 01.03.25	1,205,990	2.45
255,000 The House of Finance 4.375% 15.07.26	216,752	0.44
680,000 Unilabs Subholding 5.75% 15.05.25	577,046	1.17
320,000 United Group 4.875% 01.07.24	271,008	0.55
587,000 Verisure Holding 3.25% 15.02.27	491,307	1.00
209,000 Verisure Holding 3.5% 15.05.23	176,605	0.36
395,000 Verisure Midholding 5.25% 15.02.29	336,782	0.68
429,000 Vertical Midco 4.375% 15.07.27	372,023	0.76
125,000 Vertical Midco 4.75% 15.07.27	105,938	0.22
463,000 Victoria 3.625% 26.08.26	394,024	0.80
300,000 ZF Europe Finance 2% 23.02.26	253,017	0.51
300,000 ZF Europe Finance 2.5% 23.10.27	255,209	0.52
300,000 ZF Finance 2% 06.05.27	251,646	0.51
285,000 Ziggo Bond Company 3.375% 28.02.30	233,256	0.47
Total Euro	<u>34,279,860</u>	<u>69.67</u>
US DOLLAR (31 December 2020 - 2.17%)		
303,000 Ithaca Energy (North Sea) 9% 15.07.26	230,738	0.47
570,000 Softbank Group 6% Perp	419,258	0.85
Total US Dollar	<u>649,996</u>	<u>1.32</u>
UNLISTED/UNQUOTED (31 December 2020 - 0.16%)		
9,768 BrightHouse Topco ^A	-	-
353,137 Hellas Telecommunications Luxembourg III 8.5% 15.10.13 ^B	-	-
Total Unlisted/Unquoted	<u>-</u>	<u>-</u>
Portfolio of stock investments		47,163,418
Counterparty Foreign Currency Hedges (31 December 2020 - 0.00%)		
JP Morgan Stanley Sell EUR 42,496,000 for GBP 36,473,263 - 28 January 2021	760,511	1.55
Deutsche Bank Sell USD 841,000 for GBP 637,437 - 28 January 2021	13,389	0.03
Net value of all derivative positions	<u>773,900</u>	<u>1.58</u>
Portfolio of investments (including derivative positions)		47,937,318
Net other assets (excluding derivative positions)		1,269,854
Total net assets		<u><u>49,207,172</u></u>
		<u>100.00</u>

^A These shares are unlisted and are valued at zero, based on the latest information received.

^B These shares are considered to be valueless by the fund manager.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2021

	Notes	31 December 2021		31 December 2020	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		199,828		(1,129,408)
Revenue	6	2,585,806		3,000,176	
Expenses	7	(603,692)		(716,829)	
Net revenue before taxation		<u>1,982,114</u>		<u>2,283,347</u>	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>1,982,114</u>		<u>2,283,347</u>
Total return before distributions			2,181,942		1,153,939
Distributions	9		(2,263,536)		(2,615,886)
Change in net assets attributable to unitholders from investment activities			<u>(81,594)</u>		<u>(1,461,947)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2021

	31 December 2021		31 December 2020	
	£	£	£	£
Opening net assets attributable to unitholders		54,174,905		70,946,538
Amounts receivable on issue of units	5,730,416		3,728,644	
Amounts payable on cancellation of units	(10,625,660)		(19,036,392)	
Amounts payable on unit class conversions	<u>(28)</u>		<u>(1,938)</u>	
		(4,895,272)		(15,309,686)
Dilution adjustment		9,133		-
Change in net assets attributable to unitholders from investment activities		(81,594)		(1,461,947)
Closing net assets attributable to unitholders		<u>49,207,172</u>		<u>54,174,905</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

BALANCE SHEET

as at 31 December 2021

	Notes	31 December 2021 £	31 December 2020 £
Assets:			
Fixed Assets:			
Investment assets	17	47,937,318	54,044,114
Current Assets:			
Debtors	10	711,638	778,209
Cash and bank balances		1,412,909	308,212
Total assets		<u>50,061,865</u>	<u>55,130,535</u>
Liabilities:			
Investment liabilities	17	-	8,641
Creditors:			
Bank overdrafts		273,465	193,781
Distribution payable		511,760	592,931
Other creditors	11	69,468	160,277
Total liabilities		<u>854,693</u>	<u>955,630</u>
Net assets attributable to unitholders		<u><u>49,207,172</u></u>	<u><u>54,174,905</u></u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017.

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

There are no material events that have been identified that may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. The authorised fund manager believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and, following the consideration of the impact of COVID-19, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Interest on debt securities is recognised on an accruals basis. Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and is treated as revenue. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield is where the interest arising on the security that is purchased at a discount or premium to the maturity value is amortised and recognised at a consistent rate over the life of the security.

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple unit classes, with the exception of the authorised fund manager's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the revenue is incurred.

Expenses

All expenses, other than those relating to purchase and sale of investments, are charged against revenue on an accruals basis. Half of the manager's periodic charge is treated as a capital expense. This may constrain capital growth.

Valuation

The valuation point was 12:00 on 31 December 2021 being the last valuation point of the accounting year.

Listed investments are valued at fair value which is the bid price.

Unlisted, unapproved, illiquid or suspended securities are valued at the authorised fund manager's best estimate of the amount that would be received from the immediate transfer at arm's length in a manner designed to show fair value. This modelling takes into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

Where applicable, investment valuations exclude any element of accrued revenue.

Taxation

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 31 December 2021 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

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

Equalisation

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

Stock dividends

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the authorised fund manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

The Fund is managed according to COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. 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 price fluctuations which are monitored by the authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as most of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency. It is however a part of the Fund's strategy to hedge a substantial part of its foreign currency exposure back to sterling.

The authorised fund manager has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income received in currency into sterling on the day of receipt.

Derivatives

A substantial proportion of the Fund is invested in bonds denominated in Euros. The Fund has the option when it is considered appropriate to hedge this foreign currency exposure by entering into forward foreign currency exchange contracts. This would reduce either the profits or losses which would otherwise arise on currency movements. In general the Fund does hedge a substantial part of its foreign currency exposure.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

RISK MANAGEMENT POLICIES

Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the authorised fund manager as an acceptable counterparty.

The Fund invests in fixed interest bonds, which are generally viewed as lower-risk investments than equities. However the solvency of organisations with whom the Fund invests cannot be guaranteed, and any difficulty may adversely affect the Fund's performance. Although bonds have a fixed coupon or interest payment, the Fund will be buying and selling bonds on a regular basis, and so the overall level of income will fluctuate.

Lower graded bonds may have a higher risk of the issuer failing to meet its income or capital repayments when due.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

The Fund invests in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the fund manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the authorised fund manager.

4 NET CAPITAL (LOSSES)/GAINS

	31 December 2021	31 December 2020
	£	£
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities (losses)/gains	(2,588,926)	1,277,948
Gains/(losses) on forward foreign exchange contracts	2,930,662	(1,969,624)
Other currency losses	(137,186)	(418,979)
Transaction charges	(4,722)	(18,753)
Net capital gains/(losses)	<u>199,828</u>	<u>(1,129,408)</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

	31 December 2021	31 December 2020
	£	£
Purchases excluding transaction costs	19,998,194	34,498,977
Total purchase transaction costs	-	-
Purchases including transaction costs	<u>19,998,194</u>	<u>34,498,977</u>
Sales excluding transaction costs	23,773,035	50,245,020
Total sale transaction costs	-	-
Sales net of transaction costs	<u>23,773,035</u>	<u>50,245,020</u>
Transaction handling charges	<u>£4,722</u>	<u>£18,753</u>

Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>0.83%</u>	<u>1.41%</u>
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6 REVENUE

	31 December 2021	31 December 2020
	£	£
Interest on debt securities	2,585,806	3,000,176
Total revenue	<u>2,585,806</u>	<u>3,000,176</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

7 EXPENSES

	31 December 2021 £	31 December 2020 £
Payable to the authorised fund manager or associate:		
Manager's periodic charge	562,843	665,063
Registration fees	2,866	3,070
	<u>565,709</u>	<u>668,133</u>
Other expenses:		
Trustee's fees	18,958	21,629
Safe custody fees	6,936	13,370
Interest	4,566	5,990
Financial Conduct Authority fee	164	306
Audit fee	7,359	7,401
	<u>37,983</u>	<u>48,696</u>
Total expenses	<u><u>603,692</u></u>	<u><u>716,829</u></u>

8 TAXATION

	31 December 2021 £	31 December 2020 £
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	-	-
Total tax charge (see note 8(b))	<u><u>-</u></u>	<u><u>-</u></u>

b Factors affecting the tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below:

Net revenue before taxation	1,982,114	2,283,347
Corporation tax at 20% (2020: 20%)	<u>396,423</u>	<u>456,669</u>
Effects of:		
Interest distribution allowable for taxation	(396,423)	(523,177)
Managers periodic charge to capital	-	66,508
Total tax charge (see note 8(a))	<u><u>-</u></u>	<u><u>-</u></u>

No provision for deferred tax has been made in the current period.

9 DISTRIBUTIONS

	31 December 2021 £	31 December 2020 £
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
First quarter	585,667	667,361
Second quarter	587,693	612,010
Third quarter	557,669	647,375
Final	511,760	592,931
Add: Revenue deducted on cancellation of units	52,207	113,226
Deduct: Revenue received on issue of units	(31,432)	(15,077)
Equalisation on conversions	(28)	(1,938)
Revenue brought forward	-	(2)
Distributions	<u><u>2,263,536</u></u>	<u><u>2,615,886</u></u>
Net revenue after taxation	1,982,114	2,283,347
Add: Manager's periodic charge to capital	<u>281,422</u>	<u>332,539</u>
	<u><u>2,263,536</u></u>	<u><u>2,615,886</u></u>

10 DEBTORS

	31 December 2021 £	31 December 2020 £
Amounts receivable for issue of units	73,853	32,135
Accrued income	636,407	744,599
Taxation recoverable	1,378	1,475
Total debtors	<u><u>711,638</u></u>	<u><u>778,209</u></u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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for the year ended 31 December 2021

11 OTHER CREDITORS

	31 December 2021	31 December 2020
	£	£
Amounts payable for cancellation of units	13,293	96,812
Purchases awaiting settlement	-	382
Manager's periodic charge and registration fees	44,892	25,684
Accrued expenses	11,283	37,399
Total other creditors	69,468	160,277

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 December 2021 (2020: nil).

13 RELATED PARTIES

The authorised fund manager is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due (from)/to the authorised fund manager at the year end are £(15,668) (2020: £90,361).

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.84%	1.13%
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Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNIT CLASSES

The unit classes in issue for the Fund and the annual management charge for each unit class is as follows:

A Income	1.50%
P Income	0.75%

15 UNITHOLDERS' FUNDS RECONCILIATION

During the year the authorised fund manager has issued, cancelled and converted units from one unit class to another as set out below:

	A Income	B Income ^A	P Income
Opening units in issue at 1 January 2021	33,287,330	4,451	41,064,953
Unit issues	4,191,296	6,709	3,588,423
Unit cancellations	(9,388,776)	(10)	(5,131,654)
Unit conversions	(69,020)	(11,150)	77,854
Closing units in issue at 31 December 2021	<u>28,020,830</u>	<u>-</u>	<u>39,599,576</u>

^A On 31 August 2021 B Income units were converted into P Income units.

16 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £2,358,171 (2020: £2,668,257). A five per cent decrease would have an equal and opposite effect.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

RISK DISCLOSURES

Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 December 2021:

	Investments £	Net current assets £	Total £
Euro	(1,432,893)	1,415,026	(17,867)
US dollar	25,948	21,159	47,107
	<u>(1,406,945)</u>	<u>1,436,185</u>	<u>29,240</u>

Foreign currency exposure at 31 December 2020:

	Investments £	Net current assets £	Total £
Euro	(3,532,286)	566,294	(2,965,992)
Swiss franc	-	225	225
US dollar	85,493	18,208	103,701
	<u>(3,446,793)</u>	<u>584,727</u>	<u>(2,862,066)</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £1,462 (2020: decreasing by £143,103). A five per cent increase would have an equal and opposite effect.

Derivatives risk

The underlying exposure to forward currency contracts at 31 December 2021 was a net unrealised gain of £773,900 (2020: unrealised gain of £670,341).

Interest rate risk

The interest rate risk profile of financial assets and liabilities consists of the following:

	31 December 2021 £	31 December 2020 £
Financial assets fixed interest rate:		
Sterling	12,233,563	12,433,751
Euro	32,826,569	38,086,789
US dollar	230,737	1,182,039
	<u>45,290,869</u>	<u>51,702,579</u>
Financial assets floating rate:		
Sterling	426,791	307,987
Euro	2,439,409	1,662,553
Swiss franc	-	225
US dollar	419,258	-
	<u>3,285,458</u>	<u>1,970,765</u>
Financial assets non-interest bearing instruments:		
Sterling	1,049,059	778,209
Euro	415,320	678,982
US dollar	21,159	-
	<u>1,485,538</u>	<u>1,457,191</u>
Financial liabilities floating rate:		
Sterling	(273,465)	(193,781)
	<u>(273,465)</u>	<u>(193,781)</u>
Financial liabilities non-interest bearing instruments:		
Sterling	(581,228)	(761,849)
Euro	-	-
US dollar	-	-
	<u>(581,228)</u>	<u>(761,849)</u>
	<u>49,207,172</u>	<u>54,174,905</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

RISK DISCLOSURES

Interest rate risk sensitivity on debt securities (based on the weighted modified duration)

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A half of one per cent increase in interest rates would have the effect of decreasing the return and net assets by £915,185 (2020: £1,162,066). A half of one per cent decrease would have an equal and opposite effect.

Debt security credit analysis

Portfolio split by investment grade

	31 December 2021	31 December 2020
	Bid value (£)	
Investments of investment grade	655,042	3,011,829
Investments below investment grade:	43,913,669	49,103,088
Unrated	2,594,707	1,250,215
Total of debt securities	47,163,418	53,365,132

Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	31 December 2021	31 December 2020
	£	£
On demand:		
Creditors		
Bank overdrafts	273,465	193,781
Within one year:		
Derivatives		
Investment liabilities	-	8,641
Creditors		
Distribution payable	511,760	592,931
Other creditors	69,468	160,277
	854,693	955,630

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 December 2021		31 December 2020	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	-	-	-	-
Level 2 - Observable market data	47,937,318	-	53,958,756	8,641
Level 3 - Unobservable data	-	-	85,358	-
	47,937,318	-	54,044,114	8,641

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument;

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

BrightHouse Topco is unlisted and being priced at zero, following the latest review of financial information on the company.

Hellas Telecom and Saska 9% are considered to be valueless by the fund manager.

18 POST BALANCE SHEET EVENTS

Since 31 December 2021, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	31 December 2021 ^A	18 February 2022	Movement (%)
A Income	72.30	69.75	-3.53%
P Income	74.86	72.23	-3.51%

^A These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

DISTRIBUTION TABLE

First quarter distribution for the period from 1 January 2021 to 31 March 2021

Group 1: units purchased prior to 1 January 2021

Group 2: units purchased on or after 1 January 2021

		Gross revenue 31 March 2021 pence per unit	Equalisation 31 March 2021 pence per unit	Distribution paid 31 May 2021 pence per unit	Distribution paid 31 May 2020 pence per unit
A Income	Group 1	0.747477	-	0.747477	0.691536
	Group 2	0.467422	0.280055	0.747477	0.691536
P Income	Group 1	0.840684	-	0.840684	0.778392
	Group 2	0.332877	0.507807	0.840684	0.778392

Second quarter distribution for the period from 1 April 2021 to 30 June 2021

Group 1: units purchased prior to 1 April 2021

Group 2: units purchased on or after 1 April 2021

		Gross revenue 30 June 2021 pence per unit	Equalisation 30 June 2021 pence per unit	Distribution paid 31 August 2021 pence per unit	Distribution paid 31 August 2020 pence per unit
A Income	Group 1	0.767764	-	0.767764	0.694941
	Group 2	0.506484	0.261280	0.767764	0.694941
P Income	Group 1	0.863363	-	0.863363	0.778063
	Group 2	0.486057	0.377306	0.863363	0.778063

Third quarter distribution for the period from 1 July 2021 to 30 September 2021

Group 1: units purchased prior to 1 July 2021

Group 2: units purchased on or after 1 July 2021

		Gross revenue 30 September 2021 pence per unit	Equalisation 30 September 2021 pence per unit	Distribution paid 30 November 2021 pence per unit	Distribution paid 30 November 2020 pence per unit
A Income	Group 1	0.754133	-	0.754133	0.764977
	Group 2	0.248595	0.505538	0.754133	0.764977
P Income	Group 1	0.850893	-	0.850893	0.854564
	Group 2	0.383709	0.467184	0.850893	0.854564

Final distribution for the period from 1 October 2021 to 31 December 2021

Group 1: units purchased prior to 1 October 2021

Group 2: units purchased on or after 1 October 2021

		Gross revenue 31 December 2021 pence per unit	Equalisation 31 December 2021 pence per unit	Distribution paid 28 February 2022 pence per unit	Distribution paid 28 February 2021 pence per unit
A Income	Group 1	0.701305	-	0.701305	0.746734
	Group 2	0.384541	0.316764	0.701305	0.746734
P Income	Group 1	0.796087	-	0.796087	0.838495
	Group 2	0.381368	0.414719	0.796087	0.838495

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

Investor Support: (0808) 178 9321 (FREEPHONE)
Fax: (01204) 533 045
Email: ifslclientsupport@ifslfunds.com
Website: www.ifslfunds.com

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