

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**  
(formerly Marlborough Special Situations Fund)

**Annual Report and Audited Financial Statements**  
for the year ended 20 December 2021

IFSL

— Fund Services —

Marlborough

## IFSL MARLBOROUGH SPECIAL SITUATIONS 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)

#### 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

Hargreave Hale Limited  
41 Lothbury  
London  
EC2R 7AE

Authorised and regulated by the Financial Conduct Authority.

#### Auditor

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

#### 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)

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## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 20 December 2021

#### Percentage change and sector position to 20 December 2021

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>17.07.1995*</u>
Marlborough Special Situations Fund	0.19%	19.04%	64.90%	85.38%	5314.52%
IA UK All Companies	1.04%	13.73%	29.78%	33.29%	511.30%
Quartile Ranking**	3	1	1	1	1

\* The Fund launched on 12 July 1995 and commenced pricing on 17 July 1995.

\*\* Based on ranking within The Investment Association UK Smaller Companies sector.

External Source of Economic Data: Morningstar (P - quoted price to quoted price).

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

During the year period from 18<sup>th</sup> December 2020 to 20<sup>th</sup> December 2021, the price of the 'P' unit class rose 19.04% from 2116.17p to 2519.08p. This compares with gains of 12.10% for the FTSE 250, 5.88% for the AIM Index and 24.52% for the FTSE Small Cap ex-IT. The total value of the fund at the end of the period was £1,660.8m and was spread over 172 positions.

Biggest risers over the period were Watches of Switzerland, Serica Energy, Renold, Kape Technologies, Agronomics, Future, Reach, Northbridge Industrial Services, Volution Group and Safestore. Largest losers were James Fisher, IQE, IG Design, Eco Animal Health, Accrol, Frontier Developments, CMC Markets, Petropavlovsk, FD Technologies and HeiQ.

The performance reflects the continued concentration of the Fund on identifying well managed corporates which also offer good value. Principal attributes of those companies populating the portfolio include: beneficiaries of long term secular growth trends; good businesses becoming stronger through operational and / or financial improvements often with organic and acquisitive growth; and, arguably most importantly, niche companies that offer a specific product or service that is either unique in the marketplace or very difficult to replicate owing to a pre-existing market position, IP or a combination of the two. It is this last attribute that is often associated with a company having pricing power. This is something that appears to us to be increasingly important in a higher inflationary environment. Our overriding criterion for a position to be held in the portfolio is that its current valuation does not, to us, reflect the intrinsic value of the company, as it has not yet been fully recognised by the Market.

The market backdrop during the period has been characterised first by volatility created by the ongoing effects of the COVID-19 pandemic and second by a growing recognition amongst investors that interest rates do not reflect growing inflation. The gradual withdrawal of monetary injections by Central Banks has also been a cause of uncertainty as has the timing of interest rate rises.

Against this uncertain background the Fund has continued to invest in a number of attractive corporates. Watches of Switzerland, for example, is a high quality player in the luxury watch market. It is growing rapidly with close brand relationships with the likes of Rolex. It has a leading position in the UK market, the opportunity to replicate its success in the US market and the potential for European expansion. The fund also purchased Serica Energy, generating cash far in excess of market perceptions as a result of rising gas prices. Other purchases included Kape Technologies, creating scale in the fast growing Digital Privacy business; and Agronomics responding to global trends driving increased demand for animal protein with significantly reduced environmental impacts. The Fund's investment in Future, a niche publishing Group benefiting from yield growth in digital advertisements has proven very profitable, and Reach is a similar business with the 5<sup>th</sup> largest digital audience in the UK ripe for conversion. Other investments included Volution benefiting from long term structural drivers around reduced carbon emissions together with air quality and flow.

Like last year, M&A provided a boost with takeovers of online gaming company Gamesys, Spanish telecom Euskatel, the primary asset held by European TMT vehicle Zegona Communications and specialist pharmaceutical company, Clinigen.

Looking ahead, it does appear as though with a well-advanced COVID-19 vaccination rollout and the bout of Omicron infecting many, though hospitalising few, restrictions in the UK (and other countries) may well ease. The Pandemic has still ravaged supply chains both locally and globally. It has impacted shipping, air, road and rail freight. It has impacted a broad swathe of industries from semiconductors to retail and hospitality. These supply chain fractures will take more time to repair, as will the employment environment. These challenges come at a time when persistently higher rates of inflation is compelling Central Banks to withdrawal stimulus gradually and also to raise interest rates. As such, we envisage greater volatility in the coming periods. We will maintain a diversified portfolio and strive to identify shorter term anomalous pricing opportunities focussing on attractive risk / reward stocks, while attempting to stay mindful of the broader uncertain macro-economic environment.

Eustace Santa Barbara / Guy Feld  
Hargreave Hale Limited  
31 January 2022

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## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 20 December 2021

#### Distributions (pence per unit)

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
<u>A Accumulation</u>				
Net income paid 20 February	-	-	-	-
Net income paid 20 August		-	-	6.6680
<u>P Accumulation</u>				
Net income paid 20 February	4.1988	3.2360	4.8660	6.4490
Net income paid 20 August		4.0853	1.5825	13.1262

#### Portfolio changes

Largest purchases	Cost (£)
FD Technologies	17,131,240
Reach	17,000,336
LBG Media	14,059,166
Trustpilot Group	11,645,881
Marlowe	10,564,881
SigmaRoc	10,517,635
Chrysalis Investments	10,320,721
SSP Group	10,266,673
FDM Group (Holdings)	9,592,888
Peel Hunt	9,345,440
Other purchases	371,749,247
Total purchases for the year	492,194,108
Largest sales	Proceeds (£)
Gamesys Group	47,727,285
S4 Capital	38,405,221
CVS Group	29,751,366
Watches of Switzerland Group	20,879,127
Molten Ventures	20,209,312
Genus	18,799,786
Future	15,937,804
Ceres Power Holdings	13,767,019
XP Power	13,056,600
Cranswick	12,141,409
Other sales	229,812,324
Total sales for the year	460,487,253

## **IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**

### **AUTHORISED STATUS AND GENERAL INFORMATION**

#### **Authorised status**

IFSL Marlborough Special Situations 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 capital growth, that is, to increase the value of your investment, however, there is no certainty this will be achieved.

At least 80% of the Fund will be invested in the shares of companies listed in the UK, incorporated or domiciled in the UK or with significant business operations in the UK. This will include a range of small, medium and large companies. In any event, at least 60% of the Fund shall be invested in smaller companies, defined as companies with a market capitalisation of less than £2.5bn at the time of purchase.

The aim of the investment team is to identify companies which they believe show good long-term growth potential, or which appear to be under-valued given their future prospects.

The team consider economic and market conditions, but the main focus is on individual company analysis and selection.

Following the same investment philosophy, the Fund may also invest in companies which are listed on overseas stock exchanges, other securities which offer returns linked to the company performance, such as, preference shares, convertible bonds and warrants.

The Fund may, from time to time, hold shares in companies that become unquoted following investment, due to a delisting or other corporate event, for example. The Fund will not make new investment into the shares of companies that are unquoted.

The Fund is actively managed, which means the investment manager decides which investments to buy or sell and when. The Fund invests in a diverse portfolio of investments and is not constrained by any industry or sector.

The Fund may hold cash to enable ready settlement of liabilities (including the redemption of units), for the efficient management of the Fund and in order to meet its objective.

The Fund's investment policy puts it in the IA UK All Companies 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. Marlborough Special Situations Fund is assessed and reported on, in a composite report which the Manager publishes on the website [www.marlbroughfunds.com](http://www.marlbroughfunds.com). The next report is expected to be published in a composite report by 30 September 2022.

#### **Changes in prospectus**

From 2 August 2021 the Investment Policy was updated so the Fund will no longer be required to invest a minimum of 80% in UK smaller company shares. Instead, at least 80% of the Fund will be invested in the shares of companies listed in the UK, incorporated or domiciled in the UK or with significant business operations in the UK. This will include a range of small, medium and large companies. In any event, at least 60% of the Fund shall be invested in smaller companies, defined as companies with a market capitalisation of less than £2.5bn at the time of purchase. The Comparator benchmark for the Fund also changed to the IA UK All Companies.

With effect from 26 November 2021, the Authorised Fund Manager changed from Marlborough Fund Managers Ltd to another Marlborough Group company, Investment Fund Services Limited (IFSL). The name of the fund changed from Marlborough Special Situations Fund to IFSL Marlborough Special Situations 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 SPECIAL SITUATIONS 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 £
<b>Remuneration paid to staff of the UCITS Manager<sup>A</sup> who have a material impact on the risk profile of the Fund</b>				
Senior management	9	721,509	600,044	121,465
Risk takers and other identified staff	3	114,004	89,292	24,713
<b>Allocation of total remuneration of the employees of the UCITS Manager to the Fund</b>				
Senior management	1.19	187,312	155,778	31,534
Risk takers and other identified staff	0.40	29,597	23,181	6,416

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.

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

## IFSL MARLBOROUGH SPECIAL SITUATIONS 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 SPECIAL SITUATIONS 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 Special Situations Fund ("the Trust") for the period ended 20 December 2021**

The Depositary in its capacity of Trustee of IFSL Marlborough Special Situations 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 the 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 consider 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 SPECIAL SITUATIONS FUND

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH SPECIAL SITUATIONS FUND (FORMERLY MARLBOROUGH SPECIAL SITUATIONS FUND)

#### Opinion

We have audited the financial statements of IFSL Marlborough Special Situations Fund ("the Fund") for the year ended 20 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 19 to 21, 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 20 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's 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 this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**

### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH SPECIAL SITUATIONS FUND (FORMERLY MARLBOROUGH SPECIAL SITUATIONS 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 Financial Conduct Authority and the Trust Deed; and
- there is nothing to indicate that 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 SPECIAL SITUATIONS FUND

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH SPECIAL SITUATIONS FUND (FORMERLY MARLBOROUGH SPECIAL SITUATIONS 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 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. We identified fraud risks in relation to incomplete or inaccurate revenue recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution and the incorrect valuation of unquoted investments. In response to our fraud risk, we tested the appropriateness of management's classification of material special dividends as either a capital or revenue return and tested a sample of unquoted investment valuations by reviewing the prices used, agreed the valuation inputs to external sources, and providing challenge to management's valuations.
- 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 Investment Fund Services Limited 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 SPECIAL SITUATIONS FUND**
**COMPARATIVE TABLE**
**A Accumulation units**

<b>Change in net assets per unit</b>	<b>Year to 20.12.2021 pence</b>	<b>Year to 20.12.2020 pence</b>	<b>Year to 20.12.2019 pence</b>
Opening net asset value per unit	1,976.27	1,701.78	1,462.41
Return before operating charges*	397.48	299.52	263.60
Operating charges	(35.91)	(25.03)	(24.23)
Return after operating charges*	361.57	274.49	239.37
Distributions on accumulation units	-	-	(6.67)
Retained distributions on accumulation units	-	-	6.67
Closing net asset value per unit	2,337.84	1,976.27	1,701.78

\* after direct transaction costs of: 3.05 3.10 2.31

**Performance**

Return after charges 18.30% 16.13% 16.37%

**Other information**

Closing net asset value (£)	345,541,276	320,072,879	377,030,422
Closing number of units	14,780,396	16,195,833	22,155,119
Operating charges	1.54% <sup>A</sup>	1.53%	1.53%
Direct transaction costs	0.13%	0.19%	0.15%

**Prices**

Highest unit price	2,606.72p	1,993.98p	1,714.28p
Lowest unit price	1,928.70p	1,095.14p	1,449.76p

**P Accumulation units**

<b>Change in net assets per unit</b>	<b>Year to 20.12.2021 pence</b>	<b>Year to 20.12.2020 pence</b>	<b>Year to 20.12.2019 pence</b>
Opening net asset value per unit	2,098.11	1,793.48	1,529.92
Return before operating charges*	421.77	318.17	276.53
Operating charges	(19.67)	(13.54)	(12.97)
Return after operating charges*	402.10	304.63	263.56
Distributions on accumulation units	(8.28)	(4.82)	(17.99)
Retained distributions on accumulation units	8.28	4.82	17.99
Closing net asset value per unit	2,500.21	2,098.11	1,793.48

\* after direct transaction costs of: 3.26 3.29 2.43

**Performance**

Return after charges 19.16% 16.99% 17.23%

**Other information**

Closing net asset value (£)	1,315,287,778	1,071,063,750	1,035,135,539
Closing number of units	52,607,037	51,049,051	57,716,531
Operating charges	0.79% <sup>A</sup>	0.78%	0.78%
Direct transaction costs	0.13%	0.19%	0.15%

**Prices**

Highest unit price	2,780.91p	2,116.17p	1,806.14p
Lowest unit price	2,047.03p	1,156.78p	1,516.92p

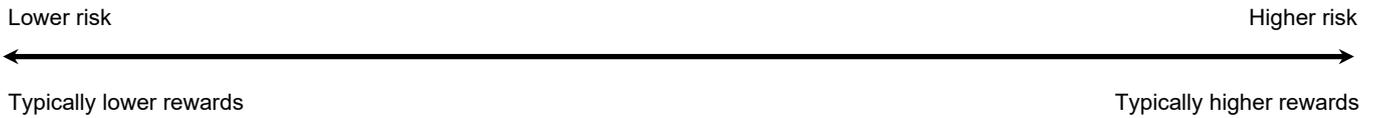
<sup>A</sup> From 30 April 2021, the Operating Charges (or Ongoing Charges Figure) calculation has been extended to include, where relevant, charges incurred by close-ended vehicles such as investment trusts.

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 SPECIAL SITUATIONS FUND**

**COMPARATIVE TABLE**

**SYNTHETIC RISK AND REWARD INDICATOR** (both unit classes)



1	2	3	4	5	6	7
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The synthetic risk and reward indicator aims to give you a measure of the price movement of the unit classes 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 it has experienced high volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**

**PORTFOLIO STATEMENT**

as at 20 December 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>AEROSPACE AND DEFENSE</b> (20 December 2020 - 1.94%)		
6,000,000 Chemring Group	17,280,000	1.04
2,250,000 Cohort	11,745,000	0.71
Total Aerospace and Defense	<u>29,025,000</u>	<u>1.75</u>
<b>ALTERNATIVE ENERGY</b> (20 December 2020 - 1.60%)		
<b>BANKS</b> (20 December 2020 - 0.01%)		
<b>BEVERAGES</b> (20 December 2020 - 0.48%)		
300,000 Fever-Tree Drinks	7,911,000	0.48
500,000 Nichols	7,000,000	0.42
Total Beverages	<u>14,911,000</u>	<u>0.90</u>
<b>CHEMICALS</b> (20 December 2020 - 0.33%)		
3,855,000 HeiQ	3,199,650	0.19
150,000 Treatt	1,800,000	0.11
Total Chemicals	<u>4,999,650</u>	<u>0.30</u>
<b>CLOSED END INVESTMENTS</b> (20 December 2020 - 0.42%)		
5,854,183 Augmentum Fintech	9,044,713	0.54
3,000,000 Chrysalis Investments	6,780,000	0.41
Total Closed End Investments	<u>15,824,713</u>	<u>0.95</u>
<b>CONSTRUCTION AND MATERIALS</b> (20 December 2020 - 2.70%)		
1,200,000 Marshalls	8,166,000	0.49
3,000,000 Norcros	9,420,000	0.57
1,850,000 Renew Holdings	14,541,000	0.88
12,224,706 SigmaRoc	9,657,518	0.58
2,325,581 Stelrad Group	4,976,743	0.30
4,000,000 Volution Group	20,440,000	1.23
Total Construction and Materials	<u>67,201,261</u>	<u>4.05</u>
<b>CONSUMER SERVICES</b> (20 December 2020 - 2.50%)		
900,000 CVS Group	20,025,000	1.21
Total Consumer Services	<u>20,025,000</u>	<u>1.21</u>
<b>ELECTRONIC AND ELECTRICAL EQUIPMENT</b> (20 December 2020 - 2.26%)		
60,000 Judges Scientific	4,932,000	0.30
500,000 Oxford Instruments	12,500,000	0.75
582,013 Porvair	4,027,530	0.24
150,000 XP Power	7,500,000	0.45
Total Electronic and Electrical Equipment	<u>28,959,530</u>	<u>1.74</u>
<b>FOOD PRODUCERS</b> (20 December 2020 - 3.24%)		
200,000 Cranswick	7,304,000	0.44
2,000,000 Finsbury Food Group	1,860,000	0.11
2,111,364 Hilton Food Group	22,802,731	1.37
200,000 Hotel Chocolat Group	960,000	0.06
1,700,000 MP Evans Group	14,110,000	0.85
6,000,000 Premier Foods	6,432,000	0.39
Total Food Producers	<u>53,468,731</u>	<u>3.22</u>
<b>HEALTH CARE PROVIDERS</b> (20 December 2020 - 1.84%)		
5,700,000 CareTech Holdings	32,490,000	1.96
325,000 Craneware	7,637,500	0.46
Total Health Care Providers	<u>40,127,500</u>	<u>2.42</u>

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**
**PORTFOLIO STATEMENT**

as at 20 December 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>HOUSEHOLD GOODS AND HOME CONSTRUCTION</b> (20 December 2020 - 1.39%)		
2,077,500 MJ Gleeson	15,207,300	0.92
2,655,172 ProCook Group	3,770,344	0.23
Total Household Goods and Home Construction	<u>18,977,644</u>	<u>1.15</u>
<b>INDUSTRIAL ENGINEERING</b> (20 December 2020 - 2.05%)		
333,375 AB Dynamics	6,334,125	0.38
2,250,000 Northbridge Industrial Services	3,600,000	0.22
21,000,000 Renold	5,985,000	0.36
2,800,000 Somero Enterprises	13,720,000	0.83
50,000 The Vitec Group	695,000	0.04
Total Industrial Engineering	<u>30,334,125</u>	<u>1.83</u>
<b>INDUSTRIAL MATERIALS</b> (20 December 2020 - 0.01%)		
<b>INDUSTRIAL METALS AND MINING</b> (20 December 2020 - 1.15%)		
418,708 Hill & Smith Holdings	7,226,900	0.44
1,400,000 Kenmare Resources	6,160,000	0.37
2,250,000 Tharisa	2,655,000	0.16
1,900,000 Yellow Cake	6,165,500	0.37
Total Industrial Metals and Mining	<u>22,207,400</u>	<u>1.34</u>
<b>INDUSTRIAL SUPPORT SERVICES</b> (20 December 2020 - 8.17%)		
10,802,918 Boku 'Reg S'	18,040,873	1.09
200,000 Diploma	6,504,000	0.39
2,000,000 Essentra	6,470,000	0.39
800,000 FDM Group (Holdings)	9,600,000	0.58
2,562,500 Marlowe	23,985,000	1.44
1,706,541 Mind Gym	2,389,157	0.14
2,500,000 Restore	12,050,000	0.73
2,750,000 Robert Walters	21,230,000	1.28
2,500,000 RPS Group	2,975,000	0.18
6,500,000 RWS Holdings	39,812,500	2.40
3,000,000 Science Group	13,260,000	0.80
3,433,333 Smart Metering Systems	27,535,331	1.66
1,000,000 SThree	4,535,000	0.27
5,750,000 Trifast	9,142,500	0.55
Total Industrial Support Services	<u>197,529,361</u>	<u>11.90</u>
<b>INDUSTRIAL TRANSPORTATION</b> (20 December 2020 - 4.19%)		
181,365 Clarkson	6,583,549	0.40
106,300,000 DX (Group)	26,575,000	1.60
687,500 Fisher (James) & Sons	1,980,000	0.12
1,442,329 Mercantile Ports & Logistics	389,429	0.02
1,750,000 Vp	16,520,000	0.99
700,000 Wincanton	2,373,000	0.14
Total Industrial Transportation	<u>54,420,978</u>	<u>3.27</u>
<b>INVESTMENT BANKING AND BROKERAGE SERVICES</b> (20 December 2020 - 2.14%)		
400,000 Alpha FX Group	8,080,000	0.49
350,000 Brooks Macdonald Group	9,380,000	0.56
1,000,000 CMC Markets	2,395,000	0.14
1,250,000 Foresight Group Holdings	5,175,000	0.31
1,000,000 JTC	8,680,000	0.52
517,510 Mattioli Woods	4,450,586	0.27
2,591,000 Molten Ventures	24,277,670	1.46
4,098,877 Peel Hunt	8,197,754	0.49
Total Investment Banking and Brokerage Services	<u>70,636,010</u>	<u>4.24</u>

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**
**PORTFOLIO STATEMENT**

as at 20 December 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>LEISURE GOODS</b> (20 December 2020 - 7.29%)		
3,750,000 Devolver Digital 'Reg S'	6,937,500	0.42
1,807,360 Focusrite	26,568,192	1.60
1,035,276 Frontier Developments	18,676,379	1.12
165,000 Games Workshop Group	15,963,750	0.96
1,500,000 Team17 Group	11,025,000	0.66
Total Leisure Goods	<u>79,170,821</u>	<u>4.76</u>
<b>MEDIA</b> (20 December 2020 - 7.75%)		
5,775,052 Everyman Media Group	6,641,310	0.40
1,275,000 Future	44,701,500	2.69
1,500,000 GlobalData	20,250,000	1.22
7,997,000 LBG Media	15,194,300	0.91
10,500,000 Reach	26,932,500	1.62
3,200,000 S4 Capital	17,856,000	1.07
1,250,000 YouGov	16,812,500	1.01
Total Media	<u>148,388,110</u>	<u>8.92</u>
<b>MEDICAL EQUIPMENT AND SERVICES</b> (20 December 2020 - 1.52%)		
2,000,000 Advanced Medical Solutions Group	6,370,000	0.38
11,390,924 Creo Medical Group	15,947,294	0.96
5,000,000 EKF Diagnostics Holdings	3,850,000	0.23
Total Medical Equipment and Services	<u>26,167,294</u>	<u>1.57</u>
<b>OIL, GAS AND COAL</b> (20 December 2020 - 0.58%)		
8,800,000 Enteq Upstream	1,276,000	0.08
7,000,000 Serica Energy	17,325,000	1.04
Total Oil, Gas and Coal	<u>18,601,000</u>	<u>1.12</u>
<b>OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES</b> (20 December 2020 - 0.10%)		
4,550,000 AdvancedAdvT <sup>F</sup>	4,641,000	0.28
2,000,000 Geiger Counter	960,000	0.06
Total Open End and Miscellaneous Investment Vehicles	<u>5,601,000</u>	<u>0.34</u>
<b>PERSONAL CARE, DRUG AND GROCERY STORES</b> (20 December 2020 - 1.58%)		
15,325,000 Accrol Group Holdings	4,995,950	0.30
3,000,000 IG Design Group	7,950,000	0.48
4,000,000 Supreme	8,000,000	0.48
Total Personal Care, Drug and Grocery Stores	<u>20,945,950</u>	<u>1.26</u>
<b>PERSONAL GOODS</b> (20 December 2020 - 3.50%)		
8,146,582 Inspecs Group	29,327,695	1.77
3,390,000 Revolution Beauty Group	3,695,100	0.22
2,256,500 Superdry	5,020,713	0.30
3,300,000 Watches of Switzerland Group	44,814,000	2.70
Total Personal Goods	<u>82,857,508</u>	<u>4.99</u>
<b>PHARMACEUTICALS AND BIOTECHNOLOGY</b> (20 December 2020 - 4.33%)		
6,477,202 Agronomics	1,360,212	0.08
231,328 Agronomics Sub Shares	-	-
5,000,000 Alliance Pharma	5,200,000	0.31
25,281,395 Benchmark Holdings	14,157,581	0.85
1,000,000 Clinigen Group	9,135,000	0.55
75,000 Dechra Pharmaceuticals	3,733,500	0.22
2,635,192 Destiny Pharma	2,766,952	0.17
1,224,050 ECO Animal Health Group	1,836,075	0.11
110,000 Genus	5,449,400	0.33
1,250,000 PureTech Health	3,618,750	0.22
1,028,570 Synairgen	2,125,026	0.13
Total Pharmaceuticals and Biotechnology	<u>49,382,496</u>	<u>2.97</u>

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**
**PORTFOLIO STATEMENT**

as at 20 December 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>PRECIOUS METALS AND MINING</b> (20 December 2020 - 2.43%)		
1,500,000 Atalaya Mining	5,910,000	0.36
6,000,000 Hochschild Mining	8,082,000	0.49
10,000,000 Pan African Resources	1,678,000	0.10
50,000,000 Petropavlovsk	10,540,000	0.63
500,000 Polymetal International	6,490,000	0.39
Total Precious Metals and Mining	<u>32,700,000</u>	<u>1.97</u>
<b>REAL ESTATE INVESTMENT AND SERVICES</b> (20 December 2020 - 3.13%)		
3,250,000 CLS Holdings	6,760,000	0.41
4,000,000 Grainger	12,280,000	0.74
1,500,000 Helical	6,540,000	0.39
2,600,000 Lok'nStore Group	23,400,000	1.41
Total Real Estate Investment and Services	<u>48,980,000</u>	<u>2.95</u>
<b>REAL ESTATE INVESTMENT TRUSTS</b> (20 December 2020 - 1.15%)		
100,000 Big Yellow Group	1,648,000	0.10
1,250,000 Safestore Holdings	17,237,500	1.04
700,000 Workspace Group	5,568,500	0.34
Total Real Estate Investment Trusts	<u>24,454,000</u>	<u>1.48</u>
<b>RETAILERS</b> (20 December 2020 - 3.21%)		
4,672,874 Halfords Group	15,233,569	0.92
6,250,000 JD Sports Fashion	12,350,000	0.74
5,620,000 Joules Group	7,558,900	0.46
500,000 WHSmith	6,605,000	0.40
3,000,000 Wickes Group	6,594,000	0.40
Total Retailers	<u>48,341,469</u>	<u>2.92</u>
<b>SOFTWARE AND COMPUTER SERVICES</b> (20 December 2020 - 8.58%)		
7,598,859 1Spatial	3,571,464	0.21
1,002,629 accesso Technology Group	7,198,876	0.43
3,550,000 Aptitude Software Group	19,170,000	1.15
2,000,000 Big Technologies	6,020,000	0.36
4,883,300 Blancco Technology Group	11,085,091	0.67
3,000,000 Bytes Technology Group	16,365,000	0.99
225,000 Eagle Eye Solutions Group	1,361,250	0.08
500,000 EMIS Group	6,370,000	0.38
740,000 FD Technologies	14,400,400	0.87
4,918,182 Ideagen	12,295,455	0.74
22,250,000 Idox	15,308,000	0.92
2,500,000 K3 Business Technology Group	4,250,000	0.26
1,031,945 Kape Technologies	4,076,183	0.25
884,615 Kin and Carta	2,476,922	0.15
10,522,718 Minds + Machines Group	841,817	0.05
12,418,846 NCC Group	28,563,346	1.72
3,250,000 Trustpilot Group	9,691,500	0.58
Total Software and Computer Services	<u>163,045,304</u>	<u>9.81</u>
<b>TECHNOLOGY HARDWARE AND EQUIPMENT</b> (20 December 2020 - 1.55%)		
375,000 Gooch & Housego	4,218,750	0.25
22,500,000 IQE	7,065,000	0.43
Total Technology Hardware and Equipment	<u>11,283,750</u>	<u>0.68</u>
<b>TELECOMMUNICATIONS EQUIPMENT</b> (20 December 2020 - 1.54%)		
8,250,000 Spirent Communications	22,093,500	1.33
Total Telecommunications Equipment	<u>22,093,500</u>	<u>1.33</u>

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**
**PORTFOLIO STATEMENT**

as at 20 December 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>TELECOMMUNICATIONS SERVICE PROVIDERS (20 December 2020 - 0.81%)</b>		
400,000 Gamma Communications	6,400,000	0.39
73,637 Zegona Communications	66,273	-
Total Telecommunications Service Providers	<u>6,466,273</u>	<u>0.39</u>
<b>TRAVEL AND LEISURE (20 December 2020 - 7.24%)</b>		
6,750,000 888 Holdings	19,075,500	1.15
10,583,333 Escape Hunt	2,751,666	0.17
2,000,000 Jet2	18,920,000	1.14
3,500,000 Loungers	9,625,000	0.58
850,000 PPHE Hotel Group	11,611,000	0.70
3,750,000 SSP Group	8,092,500	0.49
5,000,000 The City Pub Group	4,500,000	0.27
3,750,000 The Restaurant Group	2,947,500	0.18
8,219,178 Various Eateries	5,424,657	0.33
465,000 Young & Co's Brewery 'A'	6,858,750	0.41
200,000 Young & Co's Brewery 'NV'	1,552,000	0.09
Total Travel and Leisure	<u>91,358,573</u>	<u>5.51</u>
<b>OVERSEAS SECURITIES (20 December 2020 - 0.42%)</b>		
824,400 Aclara Resources	628,492	0.04
30,955 CoTec Holdings	9,984	-
10,000 Franco-Nevada	1,008,958	0.06
696,889 HealthBeacon	3,485,635	0.21
95,002,000 IRC	1,983,018	0.12
12,578 Tulla Resources	3,455	-
125,000 Wheaton Precious Metals	3,885,118	0.23
Total Overseas Securities	<u>11,004,660</u>	<u>0.66</u>
<b>UNQUOTED SECURITIES (20 December 2020 - 3.92%)</b>		
2,200,000 Ambrian <sup>B</sup>	-	-
4,800,000 Genagro <sup>D</sup>	-	-
3,215,000 Goals Soccer Centres <sup>B</sup>	-	-
1,000,000 Lamaune Iron <sup>D</sup>	-	-
14,479,167 Moxico Resources <sup>A</sup>	5,212,500	0.31
1,641,000 New Finsaga <sup>D</sup>	-	-
4,694,056 Patisserie Holdings <sup>B</sup>	-	-
420,018 Red Lambda <sup>D</sup>	-	-
313,712 SCA Investments <sup>A</sup>	69,866,800	4.21
1,000,000 Tottenham Hotspur <sup>E</sup>	1,950,000	0.12
4,353,545 Tricorn Group <sup>C</sup>	-	-
11 Walter Energy <sup>C</sup>	-	-
Total Unquoted Securities	<u>77,029,300</u>	<u>4.64</u>
<b>Portfolio of investments</b>	<b>1,636,518,911</b>	<b>98.54</b>
<b>Net other assets</b>	<b>24,310,143</b>	<b>1.46</b>
<b>Total net assets</b>	<b><u>1,660,829,054</u></b>	<b><u>100.00</u></b>

<sup>A</sup> These shares are unlisted and are being valued using the latest information received.

<sup>B</sup> These shares are valued at zero, as the companies are in administration with no expected return.

<sup>C</sup> These shares have been delisted and are valued at zero, based on the latest information received.

<sup>D</sup> These shares are unlisted and are valued at zero, based on the latest information received.

<sup>E</sup> These shares are delisted and are being valued at a discount, based on the volume of shares being traded off-market and the volumes the Fund would be looking to trade in.

<sup>F</sup> These shares were suspended post year end.

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**

**STATEMENT OF TOTAL RETURN**

for the year ended 20 December 2021

	Notes	20 December 2021		20 December 2020	
		£	£	£	£
Income:					
Net capital gains	4		254,790,568		177,537,080
Revenue	6	18,382,086		13,184,141	
Expenses	7	(15,439,738)		(12,155,682)	
Net revenue before taxation		<u>2,942,348</u>		<u>1,028,459</u>	
Taxation	8		(206,550)		(133,084)
Net revenue after taxation			<u>2,735,798</u>		<u>895,375</u>
Total return before distributions			257,526,366		178,432,455
Distributions	9		(4,207,456)		(2,338,624)
Change in net assets attributable to unitholders from investment activities			<u>253,318,910</u>		<u>176,093,831</u>

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

for the year ended 20 December 2021

	20 December 2021		20 December 2020	
	£	£	£	£
Opening net assets attributable to unitholders		1,396,266,579		1,426,053,745
Amounts receivable on issue of units	144,030,931		22,387,970	
Amounts payable on cancellation of units	(138,064,457)		(230,599,355)	
Amounts payable on unit class conversions	<u>(12,917)</u>		<u>(128,746)</u>	
		5,953,557		(208,340,131)
Dilution levy / adjustment		996,205		
Change in net assets attributable to unitholders from investment activities		253,318,910		176,093,831
Retained distribution on accumulation units		4,293,803		2,459,134
Closing net assets attributable to unitholders		<u>1,660,829,054</u>		<u>1,396,266,579</u>

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**

**BALANCE SHEET**

as at 20 December 2021

	Notes	20 December 2021 £	20 December 2020 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments	17	1,636,518,911	1,355,035,015
<b>Current Assets:</b>			
Debtors	10	2,196,061	4,749,800
Cash and bank balances		31,772,643	43,065,342
Total assets		<u>1,670,487,615</u>	<u>1,402,850,157</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Other creditors	11	9,658,561	6,583,578
Total liabilities		<u>9,658,561</u>	<u>6,583,578</u>
<b>Net assets attributable to unitholders</b>		<u><u>1,660,829,054</u></u>	<u><u>1,396,266,579</u></u>

## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 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**

Dividends from quoted ordinary securities are recognised when the security is quoted ex-dividend.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

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.

##### **Valuation**

The valuation point was 12:00 on 20 December 2021 being the last valuation point of the accounting year.

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

Investments which are unquoted are held at fair value, which is initially equal to cost and thereafter requires significant estimation in concluding on their fair value. While there is a robust and consistent valuation process undertaken by the ACD's Fair Value Pricing Committee, it is recognised that in stating these assets at fair value there is a significant element of estimation uncertainty. In line with the ACD's Fair Value Policy for reviewing investment valuations, the assumptions and estimates made in determining the fair value of each unquoted investment are considered at least each six months or sooner if there is a triggering event. The judgements to the estimations of fair value are considered on an ongoing basis including considering impact of events in the wider market. In making these estimates, appropriate care is taken to consider the nature and inherent uncertainties of market events and their impact on the fair value of unquoted assets.

The ACD has followed the IA's Authorised Funds: Fair Value Pricing Guidance July, 2019 to implement a Fair Value Pricing Policy, and takes into account individual stock specific fair value pricing, sector fair value pricing, market fair value pricing and fund fair value pricing as is necessary.

For stock specific fair value pricing, as is the case with unquoted investments, the ACD will consider these factors in determining the fair value of investments: a) the price of a recent investment, whilst an indicator of fair value, is not a default that would preclude re-estimating the valuation at the valuation date. However, if the price of recent investment is determined to be fair value then it is used to calibrate inputs to the valuation model(s); or b) where a value is indicated by a recent material arms-length transaction by an independent third party in the shares of a company, and after it is established that this is fair then this value will be used, unless the rights attributable to the shares impact the overall capital structure and rights of existing investors; or c) in the absence of (a and b) and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to an earnings multiple basis or, if appropriate, other valuation models such as: i) Adjusted recent transaction prices (which consider the company's performance against key milestones and the complexity of the capital structure) are also used; or ii) Discounted cash flow model which values a business based on estimates of future cash-flows with an appropriate discount rate.

## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2021

#### ACCOUNTING POLICIES (continued)

To ensure that the ACD values the unquoted investments appropriately, an independent valuation provider is engaged to provide an appraisal.

#### 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 20 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.

#### Dilution adjustment

The Fund is priced on a single price basis and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions and redemptions in and out of the Fund. This is known as "dilution". Under certain circumstances dilution may have a material adverse effect on the existing/continuing unitholders' interest in the Fund. In order to counter this and to protect unitholders' interests, the authorised fund manager will apply "swing pricing" as part of its daily valuation policy. This will mean that in certain circumstances the Fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. Any dilution adjustment will be applied consistently and, in the usual course of business, automatically.

### 2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to accumulate 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.

#### 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 and special 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.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the Fund. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

### 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.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 20 December 2021

**RISK MANAGEMENT POLICIES (continued)**

**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 some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

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.

**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.

**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.

**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.

## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2021

#### 4 NET CAPITAL GAINS

The net gains on investments during the year comprise:

	20 December 2021 £	20 December 2020 £
Non-derivative securities gains	249,777,041	177,554,645
Currency gains	76,678	7,766
Special dividends in capital	4,950,000	-
Transaction charges	(13,151)	(25,331)
<b>Net capital gains</b>	<u>254,790,568</u>	<u>177,537,080</u>

#### 5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	20 December 2021 £	20 December 2020 £
Purchases excluding transaction costs	342,485,881	329,997,129
Corporate actions	148,233,175	110,541,477
	<u>490,719,056</u>	<u>440,538,606</u>
Commissions	557,376	532,442
Taxes and other charges	917,676	891,649
Total purchase transaction costs	<u>1,475,052</u>	<u>1,424,091</u>
<b>Purchases including transaction costs</b>	<u>492,194,108</u>	<u>441,962,697</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.16%	0.16%
Taxes and other charges	0.27%	0.27%

Sales excluding transaction costs	437,970,298	613,966,975
Corporate actions	28,145,541	30,699,976
	<u>466,115,839</u>	<u>644,666,951</u>
Commissions	(678,661)	(930,995)
Taxes and other charges	75	(1,289)
Total sale transaction costs	<u>(678,586)</u>	<u>(932,284)</u>
<b>Sales net of transaction costs</b>	<u>465,437,253</u>	<u>643,734,667</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.15%	0.15%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.08%	0.12%
Taxes and other charges	0.06%	0.07%
	<u>0.13%</u>	<u>0.19%</u>

#### Transaction handling charges

	<u>£13,151</u>	<u>£25,331</u>
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#### 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>1.52%</u>	<u>1.78%</u>
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#### 6 REVENUE

	20 December 2021 £	20 December 2020 £
UK dividends	15,012,750	10,397,348
UK dividends (unfranked)	412,350	673,120
Overseas dividends	2,943,063	2,093,766
Overseas dividends (unfranked)	11,973	-
Commission	1,950	-
Bank interest	-	19,907
<b>Total revenue</b>	<u>18,382,086</u>	<u>13,184,141</u>

## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2021

#### 7 EXPENSES

	20 December 2021	20 December 2020
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	15,052,557	11,807,628
Registration fees	20,818	22,915
	<u>15,073,375</u>	<u>11,830,543</u>
Other expenses:		
Trustee's fees	273,910	237,707
Safe custody fees	86,178	78,091
Financial Conduct Authority fee	124	303
Audit fee	5,722	9,038
Legal fee & professional fees	429	-
	<u>366,363</u>	<u>325,139</u>
<b>Total expenses</b>	<u><u>15,439,738</u></u>	<u><u>12,155,682</u></u>

#### 8 TAXATION

	20 December 2021	20 December 2020
	£	£
a Analysis of the tax charge for the year		
Overseas tax	206,550	133,084
<b>Total tax charge</b> (see note 8(b))	<u><u>206,550</u></u>	<u><u>133,084</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	2,942,348	1,028,459
Corporation tax at 20% (2020: 20%)	<u>588,470</u>	<u>205,692</u>
Tax effects of:		
Revenue not subject to taxation	(3,591,163)	(2,498,223)
Unrelieved excess management expenses	3,003,989	2,292,531
Unrelieved excess management expenses (prior period adjustment)	(1,296)	-
Overseas tax	206,550	133,084
<b>Total tax charge</b> (see note 8(a))	<u><u>206,550</u></u>	<u><u>133,084</u></u>

At 20 December 2021 the Fund has deferred tax assets of £25,393,198 (2020: £22,388,851) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

#### 9 DISTRIBUTIONS

	20 December 2021	20 December 2020
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Interim	2,084,927	804,962
Final	2,208,903	1,654,188
Add: Revenue deducted on cancellation of units	56,522	22,349
Deduct: Revenue received on issue of units	(129,952)	(14,113)
Equalisation on conversions	(12,917)	(128,746)
Revenue brought forward	(27)	(16)
<b>Distributions</b>	<u><u>4,207,456</u></u>	<u><u>2,338,624</u></u>
Net deficit of revenue for the year	<u>(1,471,658)</u>	<u>(1,443,249)</u>
<b>Net revenue after taxation for the year</b>	<u><u>2,735,798</u></u>	<u><u>895,375</u></u>

#### 10 DEBTORS

	20 December 2021	20 December 2020
	£	£
Amounts receivable for issue of units	299,119	848,409
Sales awaiting settlement	601,371	2,443,407
Accrued income	1,295,571	1,457,984
<b>Total debtors</b>	<u><u>2,196,061</u></u>	<u><u>4,749,800</u></u>

## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2021

#### 11 OTHER CREDITORS

	20 December 2021	20 December 2020
	£	£
Amounts payable for cancellation of units	8,758,140	1,442,427
Purchases awaiting settlement	-	4,392,788
Manager's periodic charge and registration fees	839,576	693,065
Accrued expenses	60,845	55,298
<b>Total other creditors</b>	<u>9,658,561</u>	<u>6,583,578</u>

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 20 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 to the authorised fund manager at the year end are £9,298,597 (2020: £1,287,083).

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:

	20 December 2021	20 December 2020
Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.02%	0.02%

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 Accumulation	1.50%
P Accumulation	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 Accumulation	B Accumulation	P Accumulation
Opening units in issue at 21 December 2020	<u>16,195,833</u>	<u>246,161</u>	<u>51,049,051</u>
Units issues	228,721	23,440	5,320,783
Units cancellations	(1,442,430)	(9,151)	(4,210,512)
Units conversions	(201,728)	(260,450)	447,715
Closing units in issue at 20 December 2021	<u>14,780,396</u>	<u>-</u>	<u>52,607,037</u>

## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2021

#### 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 £81,825,946 (2020: £67,751,751). A five per cent decrease would have an equal and opposite effect.

##### 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 20 December 2021:

	Investments £	Net other assets £	Total £
Australian Dollar	3,455	-	3,455
Canadian Dollar	4,523,594	73,870	4,597,464
Euro	3,485,635	-	3,485,635
Hong Kong Dollar	1,983,018	-	1,983,018
US Dollar	1,008,958	989,619	1,998,577
	<u>11,004,660</u>	<u>1,063,489</u>	<u>12,068,149</u>

Foreign currency exposure at 20 December 2020:

	Investments £	Net other assets £	Total £
Canadian Dollar	1,525	71,121	72,646
Hong Kong Dollar	2,507,270	-	2,507,270
US Dollar	3,417,698	1,120,471	4,538,169
	<u>5,926,493</u>	<u>1,191,592</u>	<u>7,118,085</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 £603,407 (2020: £355,904). A five per cent increase would have an equal and opposite effect.

##### Interest rate risk

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

	20 December 2021 £	20 December 2020 £
Financial assets floating rate	31,772,643	43,065,342
Financial assets non-interest bearing instruments	1,638,714,972	1,359,784,815
Financial liabilities non-interest bearing instruments	(9,658,561)	(6,583,578)
	<u>1,660,829,054</u>	<u>1,396,266,579</u>

As most of the Fund's financial assets are non-interest bearing, an interest rate sensitivity analysis has not been included.

##### Liquidity risk

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

	20 December 2021 £	20 December 2020 £
Within one year:		
Other creditors	9,658,561	6,583,578
	<u>9,658,561</u>	<u>6,583,578</u>

## IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2021

#### 17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	20 December 2021		20 December 2020	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	1,559,489,611	-	1,300,251,285	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	77,029,300	-	54,783,730	-
	<u>1,636,518,911</u>	<u>-</u>	<u>1,355,035,015</u>	<u>-</u>

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.

#### 18 POST BALANCE SHEET EVENTS

Since 20 December 2021, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	20 December 2021 <sup>A</sup>	18 February 2022	Movement (%)
A Accumulation	2,356.21	2,181.50	-7.41%
P Accumulation	2,519.08	2,335.33	-7.29%

<sup>A</sup> These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

**IFSL MARLBOROUGH SPECIAL SITUATIONS FUND**

**DISTRIBUTION TABLE**

**Interim distribution for the period from 21 December 2020 to 20 June 2021**

Group 1: units purchased prior to 21 December 2020

Group 2: units purchased on or after 21 December 2020

		Net revenue 20 June 2021 pence per unit	Equalisation 20 June 2021 pence per unit	Distribution paid 20 August 2021 pence per unit	Distribution paid 20 August 2020 pence per unit
A Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-
P Accumulation	Group 1	4.0853p	-	4.0853p	1.5825p
	Group 2	2.3693p	1.7160p	4.0853p	1.5825p

**Final distribution for the period from 21 June 2021 to 20 December 2021**

Group 1: units purchased prior to 21 June 2021

Group 2: units purchased on or after 21 June 2021

		Net revenue 20 December 2021 pence per unit	Equalisation 20 December 2021 pence per unit	Distribution paid 20 February 2022 pence per unit	Distribution paid 20 February 2021 pence per unit
A Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-
P Accumulation	Group 1	4.1988p	-	4.1988p	3.2360p
	Group 2	1.6512p	2.5476p	4.1988p	3.2360p

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