

Morgan Stanley
Funds (UK)

Annual Report

30 September 2020

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Morgan Stanley Funds (UK) (the “Company”)

The Company is an investment company with variable capital (“ICVC”), also known as an Open Ended Investment Company (“OEIC”). The Company is incorporated in England and Wales, and is authorised by the Financial Conduct Authority (“FCA”). The Company is an Undertakings for Collective Investment in Transferable Securities (“UCITS”) Scheme and is structured as an umbrella company with six sub-funds (“Funds”), each with a different investment objective.

Directory

REGISTERED OFFICE

25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom

AUTHORISED CORPORATE DIRECTOR

Morgan Stanley Investment Management (ACD) Limited

25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom
Authorised and regulated by the FCA

DIRECTORS

Andrew Mack
Diane Hosie
Eimear Cowhey (resigned 8 November 2019)
Ruairi O'Healai (resigned 6 December 2019)
Jayne Rogers (appointed 6 December 2019)
Simon Ellis (appointed 9 December 2019)
Jackie James (appointed 16 December 2019)
Tim Cornick (appointed 26 February 2020)

REGISTRAR

SS&C Financial Services Europe Limited (formerly called DST Financial Services Europe Limited)

SS&C House
St Nicholas Lane
Basildon
Essex
SS15 5FS
United Kingdom

INVESTMENT MANAGER

Morgan Stanley Investment Management Limited

25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom
Authorised and regulated by the FCA

ADMINISTRATOR

State Street Bank and Trust Company

20 Churchill Place
London
E14 5HJ
United Kingdom

DEPOSITARY

State Street Trustees Limited

10 Nightingale Way
Edinburgh
EH3 9EG
United Kingdom
Authorised and regulated by the FCA

INDEPENDENT AUDITORS

Ernst & Young LLP

Atria One
144 Morrison Street
Edinburgh
EH3 8EX
United Kingdom

LEGAL ADVISERS

Eversheds LLP

One Wood Street
London
EC2V 7WS
United Kingdom

SUB-INVESTMENT MANAGER

Morgan Stanley Investment Management Inc.

522 Fifth Avenue
New York
NY 10036
United States of America

Report of the Authorised Corporate Director of Morgan Stanley Funds (UK) (the “Company”) For the year ended 30 September 2020

The Authorised Corporate Director (“ACD”) of the Company is Morgan Stanley Investment Management (ACD) Limited. The ACD is the sole director of the Company. The Depositary is State Street Trustees Limited and the Independent Auditors are Ernst & Young LLP.

The Company is an authorised open-ended investment company with variable capital under Regulation 12 (Authorisation) of the OEIC regulations and the shareholders are not liable for the debts of the Company. The Company is structured as an umbrella company with each underlying Fund having the investment powers equivalent to those of a securities company. In the future, there may be other Funds within the Company.

The assets of each Fund belong exclusively to that Fund and are not available to discharge (directly or indirectly) the liability of, or claims against any other Fund.

The investment objective of each Fund, the Company’s policy for pursuing that objective and a review of each Fund’s investment activities for the year are set out in the individual Fund reviews contained in this Annual Report and Financial Statements.

CROSSHOLDINGS

There were no shares in any Fund held by other Funds of the ICVC.

SIGNIFICANT EVENT DURING THE YEAR

The global Coronavirus (COVID-19) pandemic continues to create unprecedented economic and social uncertainty throughout the world. During the period, global financial markets exhibited high levels of volatility which gave rise to steep and fast declines in global asset values (from 21 February through 23 March). Following unprecedented commitments to fiscal and monetary stimulus by governments and central banks globally we witnessed a strong recovery in asset values through the end of the period. Whilst the ultimate impact of the pandemic is difficult to predict, we have experienced increased market volatility and economic uncertainties, which may materially affect the valuation of portfolio investments and in turn, the net asset value of the Funds. There may be other financial or operational impacts, the extent of which is unpredictable at this time. The aforementioned intervention to negate the negative effects of COVID-19 on economies and market performance seems to be having positive impact on market volatility (which has declined from levels seen in March but remains elevated) but the long-term effect of the aforementioned intervention is currently unpredictable.

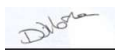
STATEMENT OF AUTHORISED CORPORATE DIRECTOR’S RESPONSIBILITIES

These annual financial statements have been prepared by the ACD in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017, the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland and the rules contained in the Financial Conduct Authority’s Collective Investment Scheme Sourcebook (together the “Regulations”) and give a true and fair view of the net revenue/expenses and gains of the scheme property of each Fund and the financial position of each Fund at the end of the accounting year.

The ACD is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enables the ACD to ensure that the financial statements comply with the Regulations. In preparing this annual report, the Authorised Corporate Director has:

- prepared the financial statements on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared financial statements in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association (“IA”) in May 2014 and amended in June 2017, and the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The ACD confirms that they have complied with the above requirements in preparing the financial statements. The ACD is responsible for the management of the Company in accordance with the Company’s Instrument of Incorporation, Prospectus and the Regulations. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Diane Hosie
Director on behalf of

Morgan Stanley Investment Management (ACD) Limited
as Authorised Corporate Director of Morgan Stanley Funds (UK)
29 January 2021

Report of the Depositary to the Shareholders of the Company

For the year ended 30 September 2020

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation 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 Company and its investors.

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

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company'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 Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

STATE STREET TRUSTEES LIMITED
Edinburgh
29 January 2021

Independent Auditor's Report to the Members of Morgan Stanley Funds (UK)

OPINION

We have audited the financial statements of Morgan Stanley Funds (UK) ("the Company comprising each of its Funds") for the year ended 30 September 2020 which comprise the Statement of Total Return and Statement of Changes in Net Assets Attributable to Shareholders together with the Balance Sheet, the accounting policies, the related notes for each of the Company's Funds and the Distribution Table, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including 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 Company comprising each of its Funds as at 30 September 2020 and of the net revenue/expense and the net capital gains on the scheme property of the Company comprising each of its Funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of Morgan Stanley Funds (UK) (continued)

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 Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

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 AUTHORISED CORPORATE DIRECTOR (ACD)

As explained more fully in the ACD's responsibilities statement as set out on page 4, the ACD 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 ACD 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 ACD is responsible for assessing the Company'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 ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

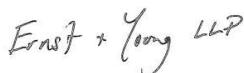
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

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 company's members, 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 company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP

Statutory Auditor

Edinburgh

29 January 2021

Developing Opportunity Fund

as at 30 September 2020

Fund Review

INVESTMENT OBJECTIVE

The Fund aims to grow your investment over 3 – 5 years.

RISK AND REWARD PROFILE

Lower risk Higher risk

 Potential lower rewards Potentially higher rewards

1	2	3	4	5	6	7
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The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares and the Fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The Fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- Investment in China A-Shares via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs may also entail additional risks, such as risks linked to the ownership of shares.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.

COMPARATIVE TABLES

AS AT 30 SEPTEMBER 2020

	Share Class F – Accumulation (iv)
	30 Sep 2020 (£)
Change in net assets per share (iii)	
Opening net asset value per share	10.00
Return before operating charges	0.65
Operating charges	(0.01)
Return after operating charges	0.64
Distributions	–
Retained distributions on accumulation shares	–
Closing net asset value per share	10.64
After direct transaction costs of:	0.01
Performance (i)	
Return after operating charges	6.40%
Other information	
Closing net asset value	21,169,334
Closing number of shares	1,990,000
Operating Charges (ii)	0.80%
Direct transaction costs	0.06%
Prices	
Highest share price	11.05
Lowest share price	10.00
Share Class I – Income (iv)	
	30 Sep 2020 (£)
Change in net assets per share (iii)	
Opening net asset value per share	10.00
Return before operating charges	0.63
Operating charges	(0.00)
Return after operating charges	0.63
Distributions	–
Retained distributions on accumulation shares	–
Closing net asset value per share	10.63
After direct transaction costs of:	–
Performance (i)	
Return after operating charges	6.30%
Other information	
Closing net asset value	247,509
Closing number of shares	23,274
Operating Charges (ii)	1.00%
Direct transaction costs	0.06%
Prices	
Highest share price	11.05
Lowest share price	10.00

(i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document, the 2021 Assessment of Value or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.

(ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.

(iii) Valued at bid basis.

(iv) The Fund was launched on 31 July 2020.

The opening NAV per share of all Classes for 30 September 2020 is the price as on the launch date of 31 July 2020.

Developing Opportunity Fund

Fund Review (continued)

PERFORMANCE REVIEW

The Fund launched close to the annual reporting period-end. Such a short time frame would not provide meaningful performance analysis as short-term returns may not be indicative of the Fund's long-term performance potential.

MARKET REVIEW

Emerging market equities advanced during the two-month period from the Fund's launch on 31 July 2020 to 30 September 2020, led by outperformance in consumer discretionary, information technology and materials. The utilities, energy, financials and health care sectors underperformed the MSCI Emerging Markets Index (in sterling).

PORTFOLIO ACTIVITY

At its launch on 31 July 2020, the Fund was invested primarily in high quality companies located or operating in developing or emerging market countries, with capitalizations within the range of companies in the MSCI Emerging Markets Net Index. We seek companies that we believe are undervalued at the time of purchase and have sustainable competitive advantages and long-term growth that creates value, rather than focusing on short-term events. Stock selection is informed by rigorous fundamental analysis.

STRATEGY & OUTLOOK

As a team, we continue to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio. We assess company prospects over a three- to five-year time horizon and own a portfolio of what we believe are undervalued, high quality companies with diverse business drivers not tied to any particular market environment.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Developing Opportunity Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2020

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020
Brazil – 6.15%				
	48,979	B3	363,352	1.70
	78,853	Magazine Luiza	953,840	4.45
			1,317,192	6.15
Cayman Islands – 41.73% *				
	6,215	Alibaba ADR	1,341,074	6.26
	69,000	Alphamab Oncology	104,764	0.49
	207,500	China East Education	350,102	1.63
	70,000	Haidilao International	392,398	1.83
	6,241	Huazhu ADR	211,607	0.99
	30,602	HUYA ADR	564,226	2.63
	73,200	Meituan	1,779,718	8.31
	42,900	Shenzhou International	562,927	2.63
	7,000	Silergy	321,131	1.50
	28,151	TAL Education ADR	1,638,274	7.65
	17,100	Tencent	879,480	4.11
	32,514	Trip.com ADR	791,788	3.70
			8,937,489	41.73
China – 9.96%				
	58,400	Foshan Haitian Flavouring and Food	1,083,176	5.06
	3,700	Kweichow Moutai	706,334	3.30
	54,000	Tsingtao Brewery	342,073	1.60
			2,131,583	9.96
Hong Kong – 2.22%				
	100,000	China Resources Beer	476,106	2.22
			476,106	2.22
India – 12.48%				
	53,928	HDFC Bank ADR	2,057,101	9.60
	80,328	ICICI Bank ADR	615,957	2.88
			2,673,058	12.48
Luxembourg – 2.39%				
	3,684	Globant	512,444	2.39
			512,444	2.39
Mexico – 0.59%				
	14,155	Grupo Aeroportuario del Sureste	127,347	0.59
			127,347	0.59
Taiwan – 5.73%				
	22,000	Nien Made Enterprise	202,741	0.95
	16,326	Taiwan Semiconductor Manufacturing ADR	1,024,279	4.78
			1,227,020	5.73
United States – 10.82%				
	4,365	EPAM Systems	1,107,024	5.17
	1,436	MercadoLibre	1,209,395	5.65
			2,316,419	10.82
		Portfolio of investments	19,718,658	92.07
		Net other assets	1,698,185	7.93
		Net assets	21,416,843	100.00

All holdings are ordinary shares unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

The Fund was launched on 31 July 2020, therefore there are no comparative figures.

* Cayman Island denotes the country of incorporation. All securities operate out of China.

Developing Opportunity Fund

Statement of Total Return

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)
Income			
Net capital gains	4		1,288,508
Revenue	5	16,160	
Expenses	6	(26,482)	
Net expense before taxation		(10,322)	
Taxation	7	(1,284)	
Net expense after taxation			(11,606)
Total return before distributions			1,276,902
Equalisation	8		(93)
Change in net assets attributable to shareholders from investment activities			1,276,809

Statement of Change in Net Assets Attributable to Shareholders

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

	30 Sep 2020 (£)	30 Sep 2020 (£)
Opening net assets attributable to shareholders		-
Amounts receivable on issue of shares	20,143,449	
Amounts payable on cancellation of shares	(3,415)	
		20,140,034
Change in net assets attributable to shareholders from investment activities		1,276,809
Closing net assets attributable to shareholders		21,416,843

Balance Sheet

AS AT 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)
Assets			
Investment assets			19,718,658
Debtors	9	28,192	
Cash and bank balances	10	1,688,776	
Total other assets			1,716,968
Total assets			21,435,626
Liabilities			
Creditors	11	18,150	
Bank overdrafts		633	
Total liabilities			18,783
Net assets attributable to shareholders			21,416,843

The accompanying notes are an integral part of these Financial Statements.

The Fund was launched on 31 July 2020, hence there are no comparative figures for the previous year.

Developing Opportunity Fund

Notes to the Financial Statements

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the “SORP”) issued by the Investment Association in May 2014 and amended in June 2017 and the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

(b) Revenue

Dividends on equities and preference stock are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis. Amounts recognised as revenue will form part of the Company’s distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

Special dividends are treated as either capital or revenue depending on the facts of each particular case.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accruals basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the period is shown in notes 4 and 6.

(d) Taxation

The charge for taxation is based on the net revenue for the period.

UK dividend revenue is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in note 7.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12:00pm on the last business day of the accounting period, 30 September 2020.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting period. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported as part of the return for the accounting period.

2. DISTRIBUTION POLICY

The revenue from the Fund’s investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the proportion of the Fund’s assets attributable to each share class, on the day the revenue is earned or expense is suffered. Income equalisation and the annual management charge, are specific to each share class.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

Developing Opportunity Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner. Derivative instruments held within the Fund will be accounted for in accordance with the SORP. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk and (e) use of derivatives and other investment techniques.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the period.

(a) Market price risk

The Fund's investment portfolio is exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than Sterling, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager ('IM') manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2020, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £985,933.

(b) Foreign currency risk and currency exposure

Some of the Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that Fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the Fund.

As at 30 September 2020, if the value of Sterling increased or decreased by 1%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £197,352.

The Fund's currency exposure as at 30 September 2020 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Brazilian Real	5,245	1,317,192	1,322,437
Chinese Yuan	(633)	1,789,511	1,788,878
Hong Kong Dollar	5,319	4,887,568	4,892,887
Mexican Peso	-	127,347	127,347
New Taiwan Dollar	1	523,872	523,873
US Dollar	6,626	11,073,168	11,079,794
Total	16,559	19,718,657	19,735,216

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered to be a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depositary.

Developing Opportunity Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

Non-interest cashflows (i.e. dividend income) may fluctuate depending on the particular decisions made by each issuer.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2020, was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2020			
Brazilian Real	-	1,322,437	1,322,437
Chinese Yuan	-	1,789,511	1,789,511
Hong Kong Dollar	3,882	4,889,005	4,892,887
Mexican Peso	-	127,347	127,347
New Taiwan Dollar	-	523,873	523,873
Pound Sterling	1,682,556	17,221	1,699,777
US Dollar	2,338	11,077,456	11,079,794
Total	1,688,776	19,746,850	21,435,626

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2020			
Chinese yuan	633	-	633
Pound Sterling	-	18,150	18,150
Total	633	18,150	18,783

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied by the Depository, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2020 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one period.

The IM's liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of the Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

There were no derivatives held at the accounting period end.

4. NET CAPITAL GAINS

	30 Sep 20 (£)
Gains on non-derivative securities	1,398,589
Currency (losses)/gains	(109,354)
Transaction charges	(1,167)
ACD's reimbursement to capital	440
Net capital gains	1,288,508

Developing Opportunity Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

5. REVENUE

	30 Sep 20 (£)
Overseas dividends	16,160
Total revenue	16,160

6. EXPENSES

	30 Sep 20 (£)
Payable to the ACD, associates of the ACD and agents of either of them:	
Management charge	20,412
Administration charge	6,784
Less ACD's reimbursement to revenue	(16,001)
	11,195
Other expenses:	
Financial Conduct Authority fee	78
Audit fee	5,050
Depository's fees	1,548
Safe custody fees	648
Professional fees	5,622
Printing & production costs	2,341
	15,287
Total expenses	26,482

7. TAXATION

(a) Analysis of charge in the period:

	30 Sep 20 (£)
Overseas tax	1,284
Total taxation	1,284

(b) Factors affecting tax charge for the period:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 20 (£)
Net revenue before taxation	(10,322)
Corporation tax of 20%	(2,064)
Effects of:	
Revenue not subject to corporation tax	(3,031)
Movement in excess expenses	5,126
Overseas tax	1,284
Overseas tax expensed	(31)
Total tax for the period	1,284

(c) Provision for deferred tax

At 30 September 2020 the Fund had surplus operating expenses of £25,631. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £5,126 has not been recognised.

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 20 (£)
Final	-
Add: Amounts deducted on cancellation of shares	(3)
Less: Amounts received on issue of shares	96
Equalisation for the period	93

Distributions are represented by:

	30 Sep 20 (£)
Net expense after taxation	(11,606)
Share classes F and I shortfall funded from capital	11,699
Equalisation for the period	93

The Fund has not made a distribution payment to shareholders on the grounds of deminimus as agreed with the Depository.

Developing Opportunity Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

9. DEBTORS

	30 Sep 20 (£)
Accrued revenue	10,971
Amounts receivable for issue of shares	780
Reimbursement of expenses receivable from ACD	16,441
	28,192

10. CASH AND BANK BALANCES

	30 Sep 20 (£)
Cash and bank balances	1,688,776
	1,688,776

11. CREDITORS

	30 Sep 20 (£)
Accrued expenses	18,150
	18,150

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting period are disclosed in notes 8 and 10.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the period in note 10.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in notes 4 and 6.

One investor (Morgan Stanley Seed Holdings Ltd) held 99% of the Fund at the period end date and was deemed to be a material shareholder.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the period end date.

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class F	0.60%
Class I	0.80%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on page 8.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the period ending	Purchases 30 Sep 20 (£)	Sales 30 Sep 20 (£)
Equities	18,918,620	610,526
Trades in the period before transaction costs	18,918,620	610,526
Commissions		
Equities	5,571	(181)
Total Commissions	5,571	(181)
Taxes		
Equities	5,716	(508)
Total Taxes	5,716	(508)
Total costs	11,287	(689)
Total net trades in the period after transaction costs	18,929,907	609,837

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 0.09%.

Total transaction cost expressed as a percentage of asset class:

For the period ending	Purchases 30 Sep 20 %	Sales 30 Sep 20 %
Commissions		
Equities	0.029	(0.030)
Taxes		
Equities	0.030	(0.083)

Total transaction cost expressed as a percentage of average NAV:

For the period ending	30 Sep 20 %
Commissions	0.027
Taxes	0.030
Total	0.057

Developing Opportunity Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

16. SHARE RECONCILIATION

Reconciliation of the share movements in the period ended 30 Sep 2020

	F Accumulation	I Income
Opening shares in issue	–	–
Creations during the period	1,990,000	23,595
Cancellations during the period	–	(321)
Closing shares in issue	1,990,000	23,274

The Fund was launched on 31 July 2020.

17. FAIR VALUE HIERARCHY

Valuation technique	Assets	Liabilities
	30 Sep 20 (£)	30 Sep 20 (£)
Quoted prices for identical instruments in active markets [^]	19,718,658	–
Valuation techniques using observable market data ^{^^}	–	–
Valuation techniques using non-observable data ^{^^^}	–	–
	19,718,658	–

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publically traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

18. EPIDEMICS/PANDEMICS/OUTBREAKS RISK

The performance of the Shares depends on the performance of the investments of the Funds, which could also be adversely affected by the effects of epidemics, pandemics or outbreaks of communicable diseases. In response to intensifying efforts to contain epidemics, pandemics or outbreaks of communicable diseases, governments around the world may take a number of actions, such as prohibiting residents' freedom of movement, encouraging or ordering employees to work remotely from home, and banning public activities and events, among others. Any prolonged disruption of businesses could negatively impact financial conditions. The performance of the Shares could be adversely affected to the extent that any of these epidemics, pandemics or outbreaks harms the economy in general.

19. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

Developing Opportunity Fund

Distribution Tables

FOR THE PERIOD 31 JULY 2020 TO 30 SEPTEMBER 2020

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 2: shares purchased between 31 July 2020 to 30 September 2020

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2020 (p)
Share Class F – Accumulation			
Group 1	–	–	–
Group 2	0.0000	0.0000	0.0000
Share Class I – Income			
Group 1	–	–	–
Group 2	0.0000	0.0000	0.0000

Share Class I – Accumulation

EQUALISATION

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

The Fund was launched on 31 July 2020, hence there are no comparative figures for the previous year.

Global Brands Fund

as at 30 September 2020

Fund Review

INVESTMENT OBJECTIVE

The Fund aims to grow your investment over 5 – 10 years.

RISK AND REWARD PROFILE

Lower risk Higher risk

 Potential lower rewards Potentially higher rewards

1	2	3	4	5	6	7
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The Fund has not changed the risk level category during the financial year.

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares and the Fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Fund.
- The Fund relies on other parties to fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- Investment in China A-Shares via Shanghai-Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.

COMPARATIVE TABLES

AS AT 30 SEPTEMBER 2020

	Share Class I – Accumulation		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	105.17	90.93	76.06
Return before operating charges	11.38	15.10	15.61
Operating charges	(0.98)	(0.86)	(0.74)
Return after operating charges	10.40	14.24	14.87
Distributions	(1.04)	(0.96)	(0.83)
Retained distributions on accumulation shares	1.04	0.96	0.83
Closing net asset value per share	115.57	105.17	90.93
After direct transaction costs of:	0.06	0.01	0.05
Performance (i)			
Return after operating charges	9.89%	15.66%	19.55%
Other information			
Closing net asset value	909,981,659	656,996,870	838,221,645
Closing number of shares	7,874,123	6,247,128	9,218,089
Operating Charges (ii)	0.90%	0.90%	0.90%
Direct transaction costs	0.05%	0.02%	0.06%
Prices			
Highest share price	117.88	109.46	91.14
Lowest share price	90.70	83.41	75.06

	Share Class I – Income		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	29.52	25.77	21.77
Return before operating charges	3.18	4.26	4.45
Operating charges	(0.27)	(0.24)	(0.21)
Return after operating charges	2.91	4.02	4.24
Distributions	(0.29)	(0.27)	(0.24)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	32.14	29.52	25.77
After direct transaction costs of:	0.02	–	0.01
Performance (i)			
Return after operating charges	9.86%	15.62%	19.46%
Other information			
Closing net asset value	344,045,302	319,156,821	290,629,728
Closing number of shares	10,705,594	10,810,297	11,278,369
Operating Charges (ii)	0.90%	0.90%	0.90%
Direct transaction costs	0.05%	0.02%	0.06%
Prices			
Highest share price	32.98	30.94	26.02
Lowest share price	25.46	23.64	21.47

Global Brands Fund

Fund Review (continued)

Change in net assets per share (iii)	Share Class I Hedge – Accumulation (v)	
	30 Sep 2020 (£)	30 Sep 2019 (£)
Opening net asset value per share	12.50	10.00
Return before operating charges	1.51	2.50
Operating charges	(0.12)	–
Return after operating charges	1.39	2.50
Distributions	(0.12)	–
Retained distributions on accumulation shares	0.12	–
Closing net asset value per share	13.89	12.50
After direct transaction costs of:	0.01	–
Performance (i)		
Return after operating charges	11.12%	25.00%
Other information		
Closing net asset value	158,362,931	10,000
Closing number of shares	11,400,109	800
Operating Charges (ii)	0.90%	0.00%
Direct transaction costs	0.05%	0.00%
Prices		
Highest share price	14.49	12.50
Lowest share price	10.14	10.00

Change in net assets per share (iii)	Share Class I Hedge – Income (v)	
	30 Sep 2020 (£)	30 Sep 2019 (£)
Opening net asset value per share	12.50	10.00
Return before operating charges	1.24	2.50
Operating charges	(0.12)	–
Return after operating charges	1.12	2.50
Distributions	(0.12)	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	13.50	12.50
After direct transaction costs of:	0.01	–
Performance (i)		
Return after operating charges	8.96%	25.00%
Other information		
Closing net asset value	5,959,973	10,000
Closing number of shares	441,584	800
Operating Charges (ii)	0.90%	0.00%
Direct transaction costs	0.05%	0.00%
Prices		
Highest share price	14.16	12.50
Lowest share price	10.13	10.00

- (i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document, the 2021 Assessment of Value or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.
- (ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.
- (iii) Valued at bid basis.
- (iv) Share Classes A were converted to Share Classes I on 5 November 2019.
- (v) The figures for 30 September 2019 have been adjusted to comply with current year reporting format.

PERFORMANCE REVIEW

For the year ending 30 September 2020, the Fund's I Accumulation class shares outperformed the benchmark, MSCI World (Net) Index, by 4.66%, returning 9.90% (i) (net of fees in sterling) versus 5.24% for the Index.

Over the period, outperformance was mostly due to sector allocation in information technology, stock selection and underweight allocation in financials, allocation to health care and zero weights in energy, real estate and utilities. The positive contribution from stock selection in consumer staples was offset by the portfolio's overweight allocation in the sector. Stock selection in information technology was also a main detractor from relative performance.

Top absolute contributors for the period were Microsoft (+403 basis points (bps)), Reckitt Benckiser (+184 bps) and Danaher (+153 bps). Top detractors were Heineken (-103 bps), Automatic Data Processing (-81 bps) and Coca-Cola (-68 bps).

MARKET REVIEW

The high volatility experienced in the first quarter of 2020, as the COVID-19 pandemic spread around the world, returned to more normal levels in subsequent quarters. In the 12-month period, the MSCI World (Net) Index returned 5.24% in sterling terms. Most markets underperformed in relative terms and were negative in absolute terms, with Austria (-32.3%), Belgium (-26.8%) and Spain (-24.7%) the biggest laggards. Denmark (+35.8%), New Zealand (+18.6%) and Sweden (+16.7%) were the largest positive performers. The U.S. (+11%) outperformed the Index for the period, whilst the U.K. (-19.8%) underperformed in relative and absolute terms.

Information technology (+38.4%), consumer discretionary (+19.6%), health care (+15.2%), communication services (+9.5%) and materials (+7.3%) outperformed the Index. All the other sectors failed to beat the Index, with energy (-45.9%), financials (-18.8%) and real estate (-15.7%) the weakest performing sectors.

PORTFOLIO ACTIVITY

During the last 12 months, most of our portfolio activity was driven by valuation. We shifted from names where valuations were looking extended into names that had experienced drawdowns which we found unjustified in light of their medium-term prospects. We also initiated positions in Procter & Gamble, LVMH, Roper Technology and Intercontinental Exchange (ICE) and exited Church & Dwight.

Global Brands Fund

Fund Review (continued)

We think Procter & Gamble has turned itself around, cleaning up its organisational structure and building best-in-class digital expertise. At the heart of LVMH is Louis Vuitton, one of the biggest and most profitable luxury goods brands in the world, which has helped LVMH compound earnings at a 12% compound annual growth rate for almost 20 years. Over time, through excellent management and good capital allocation, it has become a broader luxury goods group, home to many of the world's most recognisable luxury brands, while still generating high operating returns. Roper Technology manages approximately 50 technology and industrial firms, most of which have a significant level of recurring revenue, and all of which have very low capital intensity and strong free cash flow generation. The stock became more attractive on a relative basis during the COVID-induced drawdown, which provided an attractive entry point. ICE is a leading exchange group and has strong barriers to entry in its diverse collection of businesses. It benefits from network effects in its trading and clearing venues, particularly in derivatives, brands (notably the New York Stock Exchange) and valuable data sets in fixed income. As a result, ICE has a 100% return on operating capital employed, with half of its revenue recurring and the other half spread across a wide range of products and asset classes. It is acquisitive, most recently buying Ellie Mae in the mortgage industry, but it has a proven record of making deals work.

We sold the remnants of our holding in Church & Dwight due to its poor capital allocation decisions, with the company having made acquisitions of businesses that produce appliances rather than consumer brands.

STRATEGY & OUTLOOK

Our outlook is generally cautious – it fits with the temperament required to invest in high quality equities. In fact, we would argue that there are many reasons to be cautious right now.

While the world economy is recovering from the lockdowns earlier in 2020, there is plenty of ground still to be made up, even without the impact of a second wave, and plenty of debt already added. In addition, there is a very uncertain geopolitical outlook – not least the potential for a contested election result in the U.S.

Despite all of this, markets have recovered sharply from the first quarter 2020 collapse, roughly back to their very high levels at the start of the year, pricing in high expectations of an economic recovery. We remain unconvinced all the potential damage from the crisis is priced in markets.

Given all this uncertainty, we believe that quality is the right approach, given the attraction of resilient free cash flows and solid balance sheets.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Global Brands Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2020

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
France – 5.30%					
	141,089	L'Oreal	35,883,420	2.53	
	52,739	LVMH Moet Hennessy Louis Vuitton	19,393,078	1.37	
	159,347	Pernod Ricard	19,870,886	1.40	
			75,147,384	5.30	6.82
Germany – 4.63%					
	539,815	SAP	65,655,881	4.63	
			65,655,881	4.63	5.84
Ireland – 4.82%					
	391,752	Accenture	68,392,096	4.82	
			68,392,096	4.82	5.25
Italy – 0.54%					
	902,980	Davide Campari-Milano	7,655,218	0.54	
			7,655,218	0.54	1.12
Netherlands – 2.80%					
	410,454	Heineken	28,332,162	2.00	
	660,214	RELX (Netherlands Listing)	11,393,049	0.80	
			39,725,211	2.80	5.11
United Kingdom – 16.70%					
	1,249,122	British American Tobacco	34,713,100	2.45	
	485,722	Experian	14,304,513	1.01	
	1,721,733	Reckitt Benckiser	130,817,273	9.22	
	1,707,183	RELX (London Listing)	29,474,514	2.08	
	571,662	Unilever	27,514,092	1.94	
			236,823,492	16.70	22.74
United States – 63.65%					
	688,815	Abbott Laboratories	56,463,210	3.98	
	458,234	Automatic Data Processing	49,110,377	3.46	
	985,025	Baxter International	60,694,244	4.28	
	288,383	Becton Dickinson	50,660,548	3.57	
	697,982	Coca-Cola	26,608,426	1.88	
	370,859	Danaher	60,961,589	4.30	
	51,912	FactSet Research Systems	13,507,024	0.95	
	333,438	Fidelity National Information Services	38,658,781	2.73	
	565,832	Fox Corporation A Shares	12,244,806	0.86	
	326,203	Fox Corporation B Shares	7,071,859	0.50	
	335,147	Intercontinental Exchange	25,887,204	1.83	
	758,526	Microsoft	122,451,720	8.63	
	72,331	Moody's	16,105,300	1.14	
	233,293	NIKE	22,966,601	1.62	
	1,857,182	Philip Morris International	107,588,422	7.58	
	650,814	Procter & Gamble	69,592,560	4.91	
	39,008	Roper Technologies	12,200,158	0.86	
	150,204	Thermo Fisher Scientific	50,833,480	3.58	
	497,367	Visa	77,299,689	5.45	
	172,976	Zoetis	21,901,521	1.54	
			902,807,519	63.65	62.48

Global Brands Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2020

Forward Currency Contracts – Hedged Share Classes – 0.08%

Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
EUR	819	GBP	744	30/10/2020	State Street Bank	4	–	
GBP	22,265,577	EUR	24,183,786	30/10/2020	State Street Bank	186,786	0.01	
GBP	117,506,008	USD	149,547,898	30/10/2020	State Street Bank	984,806	0.07	
USD	5,001	GBP	3,892	30/10/2020	State Street Bank	4	–	
Unrealised gain on Forward Currency Exchange Contracts – Hedged Share Classes						1,171,600	0.08	
EUR	707,206	GBP	647,451	30/10/2020	State Street Bank	(1,800)	–	
GBP	665,229	EUR	732,586	30/10/2020	State Street Bank	(3,590)	–	
GBP	106,301	USD	136,582	30/10/2020	State Street Bank	(117)	–	
USD	4,977,520	GBP	3,906,089	30/10/2020	State Street Bank	(27,824)	–	
Unrealised loss on Forward Currency Exchange Contracts – Hedged Share Classes						(33,331)	–	
Net Unrealised gain on Forward Currency Exchange Contracts – Hedged Share Classes						1,138,269	0.08	0.00
Portfolio of investments						1,397,345,070	98.52	109.36
Net other assets						21,004,795	1.48	(9.36)
Net assets						1,418,349,865	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Financial derivative instrument risk exposure

The exposure obtained from the Forward Currency Exchange Contracts and identity of counterparties as at 30 September 2020 are presented in the Portfolio Statement.

Global Brands Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Income					
Net capital gains	4		115,297,654		154,061,968
Revenue	5	22,983,540		23,078,907	
Expenses	6	(10,296,244)		(10,182,463)	
Interest payable and similar charges		(435)		(622)	
Net revenue before taxation		12,686,861		12,895,822	
Taxation	7	(1,413,018)		(1,774,421)	
Net revenue after taxation			11,273,843		11,121,401
Total return before distributions			126,571,497		165,183,369
Distributions	8		(11,274,038)		(11,121,399)
Change in net assets attributable to shareholders from investment activities			115,297,459		154,061,970

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Opening net assets attributable to shareholders		979,357,220		1,132,153,372
Amounts receivable on issue of shares	492,145,184		99,628,854	
Amounts payable on cancellation of shares	(177,363,384)		(413,062,953)	
		314,781,800		(313,434,099)
Dilution adjustment charged		75,489		40,231
Change in net assets attributable to shareholders from investment activities		115,297,459		154,061,970
Retained distributions on accumulation shares		8,837,897		6,535,746
Closing net assets attributable to shareholders		1,418,349,865		979,357,220

Balance Sheet

AS AT 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Assets					
Investment assets			1,397,378,401		1,071,030,473
Debtors	9	3,133,655		5,517,417	
Cash and bank balances	10	24,866,699		22,362,473	
Total other assets			28,000,354		27,879,890
Total assets			1,425,378,755		1,098,910,363
Liabilities					
Investment liabilities			33,331		-
Creditors	11	4,828,693		117,392,352	
Distribution payable on income shares		2,166,866		2,160,791	
Total other liabilities			6,995,559		119,553,143
Total liabilities			7,028,890		119,553,143
Net assets attributable to shareholders			1,418,349,865		979,357,220

The accompanying notes are an integral part of these Financial Statements.

Global Brands Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the “SORP”) issued by the Investment Association in May 2014 and amended in June 2017 and the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

(b) Revenue

Dividends on equities and preference stock are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis. Amounts recognised as revenue will form part of the Company’s distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

Special dividends are treated as either capital or revenue depending on the facts of each particular case.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accruals basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the period is shown in notes 4 and 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year.

UK dividend revenue is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in note 7.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12:00pm on the last business day of the accounting year, 30 September 2020.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12:00pm on the last business day of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting year.

2. DISTRIBUTION POLICY

The revenue from the Fund’s investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the proportion of the Fund’s assets attributable to each share class, on the day the revenue is earned or expense is suffered. Income equalisation and the annual management charge, are specific to each share class.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund’s financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner.

Derivative instruments held within the Fund will be accounted for in accordance with the SORP. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk and (e) use of derivatives and other investment techniques.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the year.

(a) Market price risk

The Fund's investment portfolio is exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than Sterling, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager ('IM') manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2020, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £69,867,254 (2019: £53,551,524).

(b) Foreign currency risk and currency exposure

Some of the Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that Fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the Fund.

As at 30 September 2020, if the value of Sterling increased or decreased by 1%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £10,274,551 (2019: £8,489,670).

The Fund's currency exposure as at 30 September 2020 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Euro	(22,049,693)	188,183,695	166,134,002
US Dollar	(109,878,485)	971,199,615	861,321,130
Total	(131,928,178)	1,159,383,310	1,027,455,132

The Fund's currency exposure as at 30 September 2019 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Euro	78,092	185,071,084	185,149,176
US Dollar	493,464	663,324,325	663,817,789
Total	571,556	848,395,409	848,966,965

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered to be a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depositary.

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Non-interest Cashflows (i.e. dividend income) may fluctuate depending on the particular decisions made by each issuer.

The interest rate risk profile of the Funds financial assets and liabilities at 30 September 2020, was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2020			
Euro	-	166,139,393	166,139,393
Pound Sterling	22,984,329	373,561,149	396,545,478
US Dollar	1,882,370	860,811,514	862,693,884
Total	24,866,699	1,400,512,056	1,425,378,755
2019			
Euro	-	204,176,618	204,176,618
Pound Sterling	20,669,398	228,143,674	248,813,072
US Dollar	1,693,075	733,144,200	734,837,275
Total	22,362,473	1,165,464,492	1,187,826,965

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2020			
Euro	-	5,391	5,391
Pound Sterling	-	5,650,745	5,650,745
US Dollar	-	1,372,754	1,372,754
Total	-	7,028,890	7,028,890
2019			
Pound Sterling	-	203,947,777	203,947,777
US Dollar	-	4,521,968	4,521,968
Total	-	208,469,745	208,469,745

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied by the Depository, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2020 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of the Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

4. NET CAPITAL GAINS

	30 Sep 20 (£)	30 Sep 19 (£)
Gains on non-derivative securities	113,175,305	150,190,277
Gains on derivative contracts	2,285,147	-
Currency (losses)/gains	(157,722)	3,434,540
Transaction charges	(5,325)	(17,395)
ACD's reimbursement to capital	249	635
Windfall gain	-	453,911
Net capital gains	115,297,654	154,061,968

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

5. REVENUE

	30 Sep 20 (£)	30 Sep 19 (£)
Overseas dividends	16,374,437	14,855,944
UK dividends	6,600,998	8,194,513
Bank interest	8,105	28,450
Total revenue	22,983,540	23,078,907

6. EXPENSES

	30 Sep 20 (£)	30 Sep 19 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	8,554,244	8,504,073
Administration charge	1,710,392	1,696,092
Less ACD's reimbursement to revenue	(218,885)	(385,623)
	10,045,751	9,814,542
Other expenses:		
Financial Conduct Authority fee	483	484
Audit fee	11,729	8,254
Depository's fees	152,792	210,315
Safe custody fees	61,513	126,382
Professional fees	25,423	11,047
Printing & production costs	(1,516)	11,341
Registration fees	69	98
	250,493	367,921
Total expenses	10,296,244	10,182,463

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 20 (£)	30 Sep 19 (£)
Overseas tax	1,413,018	1,774,421
Total taxation	1,413,018	1,774,421

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue before taxation	12,686,861	12,895,822
Corporation tax of 20% (2019: 20%)	2,537,372	2,579,164
Effects of:		
Revenue not subject to corporation tax	(4,595,020)	(4,605,718)
Movement in excess expenses	2,057,622	2,026,554
Overseas tax	1,413,018	1,774,421
Tax relief on expenses offset against capital	26	-
Total tax for the year	1,413,018	1,774,421

(c) Provision for deferred tax

At 30 September 2020 the Fund had surplus operating expenses of £70,753,140 (2019: £60,465,028). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £14,150,628 (2019: £12,093,006) has not been recognised.

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 20 (£)	30 Sep 19 (£)
Interim	3,269,637	2,896,409
Final	8,728,235	6,585,714
Add: Amounts deducted on cancellation of shares	503,172	1,966,908
Less: Amounts received on issue of shares	(1,227,006)	(327,632)
Net distribution for the year	11,274,038	11,121,399

Distributions are represented by:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue after taxation	11,273,843	11,121,401
Tax relief on expenses offset against capital	26	-
Movement on revenue account	169	(2)
Net distribution for the year	11,274,038	11,121,399

Details of the distribution per share are set out in the Distribution Tables on page 31.

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

9. DEBTORS

	30 Sep 20 (£)	30 Sep 19 (£)
Accrued revenue	2,329,660	1,626,536
Amounts receivable for issue of shares	757,075	1,487,445
Sales awaiting settlement	–	2,233,025
Overseas tax recoverable	51,521	78,092
Reimbursement of expenses receivable from ACD	(4,601)	92,319
	3,133,655	5,517,417

10. CASH AND BANK BALANCES

	30 Sep 20 (£)	30 Sep 19 (£)
Cash and bank balances	24,866,699	22,362,473
	24,866,699	22,362,473

11. CREDITORS

	30 Sep 20 (£)	30 Sep 19 (£)
Purchases awaiting settlement	1,344,815	2,826,108
Accrued expenses	733,267	533,650
Amounts payable to ACD	2,679,546	1,508,922
Amount payable for cancellation of shares	71,065	112,523,672
	4,828,693	117,392,352

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and note 8. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting year are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the year in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in notes 4 and 6.

There are no material shareholders at the year end date (2019: no material shareholders).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2019: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charge for the Fund is as follows:

Class I 0.75%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on pages 19 to 20. The distribution per share class is given in the Distribution Tables on page 31.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 20 (£)	30 Sep 19 (£)
Equities	601,875,685	219,913,958	390,472,065	411,679,224
Trades in the year before transaction costs	601,875,685	219,913,958	390,472,065	411,679,224
Commissions				
Equities	75,837	34,664	(48,307)	(47,765)
Total Commissions	75,837	34,664	(48,307)	(47,765)
Taxes				
Equities	469,492	86,543	(3,768)	(3,933)
Total Taxes	469,492	86,543	(3,768)	(3,933)
Total costs	545,329	121,207	(52,075)	(51,698)
Total net trades in the year after transaction costs	602,421,014	220,035,165	390,419,990	411,627,526

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.03% (2019: 0.02%).

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 20 %	30 Sep 19 %	30 Sep 20 %	30 Sep 19 %
Commissions				
Equities	0.013	0.016	(0.012)	(0.012)
Taxes				
Equities	0.078	0.039	(0.001)	(0.001)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 20	30 Sep 19
	%	%
Commissions	0.011	0.007
Taxes	0.041	0.008
Total	0.052	0.015

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2020

	A Accumulation*	A Income*	I Accumulation	I Income
Opening shares in issue	33,332	3,154	6,247,128	10,810,297
Creations during the year	–	–	2,458,382	1,549,160
Cancellations during the year	(33,332)	(3,154)	(831,387)	(1,653,863)
Closing shares in issue	–	–	7,874,123	10,705,594

	I Hedge Accumulation	I Hedge Income
Opening shares in issue	800	800
Creations during the year	11,692,638	2,687,888
Cancellations during the year	(293,329)	(2,247,104)
Closing shares in issue	11,400,109	441,584

* Share Classes A were converted to Share Classes I on 5 November 2019.

17. FAIR VALUE HIERARCHY

Valuation technique	Assets	Liabilities	Assets	Liabilities
	30 Sep 20 (£)	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 19 (£)
Quoted prices for identical instruments in active markets [^]	1,396,206,801	–	1,071,030,473	–
Valuation techniques using observable market data ^{^^}	1,171,600	(33,331)	–	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	1,397,378,401	(33,331)	1,071,030,473	–

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publicly traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

18. EPIDEMICS/PANDEMICS/OUTBREAKS RISK

The performance of the Shares depends on the performance of the investments of the Funds, which could also be adversely affected by the effects of epidemics, pandemics or outbreaks of communicable diseases. In response to intensifying efforts to contain epidemics, pandemics or outbreaks of communicable diseases, governments around the world may take a number of actions, such as prohibiting residents' freedom of movement, encouraging or ordering employees to work remotely from home, and banning public activities and events, among others. Any prolonged disruption of businesses could negatively impact financial conditions. The performance of the Shares could be adversely affected to the extent that any of these epidemics, pandemics or outbreaks harms the economy in general.

19. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

Global Brands Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2020

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2019

Group 2: shares purchased between 1 October 2019 to 31 March 2020

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2020 (p)	Distribution paid/accumulated 31 May 2019 (p)
Share Class I – Accumulation				
Group 1	32.5447	–	32.5447	25.1587
Group 2	18.4684	14.0763	32.5447	25.1587
Share Class I – Income				
Group 1	9.1731	–	9.1731	7.1291
Group 2	6.0219	3.1512	9.1731	7.1291
Share Class I Hedge – Accumulation				
Group 1	3.9088	–	3.9088	–
Group 2	1.5120	2.3968	3.9088	–
Share Class I Hedge – Income				
Group 1	3.9149	–	3.9149	–
Group 2	0.2176	3.6973	3.9149	–

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2020

Group 2: shares purchased between 1 April 2020 to 30 September 2020

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2020 (p)	Distribution paid/accumulated 30 Nov 2019 (p)
Share Class I – Accumulation				
Group 1	71.0181	–	71.0181	70.7173
Group 2	32.2077	38.8104	71.0181	70.7173
Share Class I – Income				
Group 1	19.8957	–	19.8957	19.9864
Group 2	11.9519	7.9438	19.8957	19.9864
Share Class I Hedge – Accumulation				
Group 1	8.5027	–	8.5027	0.0000
Group 2	5.6136	2.8891	8.5027	0.0000
Share Class I Hedge – Income				
Group 1	8.3593	–	8.3593	0.0000
Group 2	4.6161	3.7432	8.3593	0.0000

Share Classes A were converted to Share Classes I on 5 November 2019.

EQUALISATION

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

Global Brands Equity Income Fund

as at 30 September 2020 (unaudited)

Fund Review

INVESTMENT OBJECTIVE

The Fund aims to provide regular income and to grow your investment over 5 – 10 years.

RISK AND REWARD PROFILE

Lower risk Higher risk
 ←-----→
 Potentially lower rewards Potentially higher rewards

1	2	3	4	5	6	7
---	---	---	---	---	---	---

The Fund has not changed the risk level category during the financial year.

The risk and reward category shown is based on simulated historic performance data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares and the Fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Fund.
- The Fund relies on other parties to fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- Investment in China A-Shares via Shanghai-Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.
- The derivative strategy aims to increase the income paid to investors, but there is a potential for the Fund to suffer losses.

COMPARATIVE TABLES

AS AT 30 SEPTEMBER 2020

	Share Class F – Income		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	11.89	10.80	9.71
Return before operating charges	1.03	1.62	1.56
Operating charges	(0.08)	(0.08)	(0.07)
Return after operating charges	0.95	1.54	1.49
Distributions	(0.46)	(0.45)	(0.40)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	12.38	11.89	10.80
After direct transaction costs of :	0.01	0.02	0.01
Performance (i)			
Return after operating charges	7.99%	14.34%	15.36%
Other information			
Closing net asset value	32,099,153	12,903,966	794,785
Closing number of shares	2,593,824	1,084,835	73,600
Operating Charges (ii)	0.65%	0.65%	0.65%
Direct transaction costs	0.11%	0.20%	0.06%
Prices			
Highest share price	12.75	12.50	10.94
Lowest share price	10.05	9.91	9.20
Share Class I – Accumulation			
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	14.59	12.76	11.06
Return before operating charges	1.30	1.97	1.82
Operating charges	(0.15)	(0.14)	(0.12)
Return after operating charges	1.15	1.83	1.70
Distributions	(0.58)	(0.55)	(0.47)
Retained distributions on accumulation shares	0.58	0.55	0.47
Closing net asset value per share	15.74	14.59	12.76
After direct transaction costs of :	0.02	0.03	0.01
Performance (i)			
Return after operating charges	7.88%	14.33%	15.37%
Other information			
Closing net asset value	10,442,289	6,519,868	2,438,557
Closing number of shares	663,582	446,762	191,044
Operating Charges (ii)	1.04%	1.00%	1.00%
Direct transaction costs	0.11%	0.20%	0.06%
Prices			
Highest share price	16.05	15.19	12.82
Lowest share price	12.42	11.80	10.56

Global Brands Equity Income Fund

Fund Review (continued)

	Share Class I – Income		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	12.88	11.74	10.59
Return before operating charges	1.11	1.76	1.70
Operating charges	(0.13)	(0.12)	(0.11)
Return after operating charges	0.98	1.64	1.59
Distributions	(0.51)	(0.50)	(0.44)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	13.35	12.88	11.74
After direct transaction costs of :	0.01	0.02	0.01
Performance (i)			
Return after operating charges	7.59%	14.01%	15.05%
Other information			
Closing net asset value	13,334,287	5,539,810	2,070,421
Closing number of shares	998,470	429,967	176,383
Operating Charges (ii)	1.03%	1.00%	1.00%
Direct transaction costs	0.11%	0.20%	0.06%
Prices			
Highest share price	13.77	13.55	11.90
Lowest share price	10.87	10.76	10.02

(i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document, the 2021 Assessment of Value or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.

(ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.

(iii) Valued at bid basis.

PERFORMANCE REVIEW

For the year ending 30 September 2020, the Fund's I Accumulation class shares outperformed the benchmark, MSCI World (Net) Index, by 2.44 %, returning 7.68 % (i) (net of fees in sterling) versus 5.24% for the Index.

Over the period, outperformance was mostly due to sector allocation in information technology, stock selection and underweight allocation in financials, allocation to health care and zero weights in energy, real estate and utilities. The positive contribution from stock selection in consumer staples was offset by the portfolio's overweight allocation in the sector. Stock selection in information technology was also a main detractor from relative performance. The overwrite (sale of index call options) detracted from performance for the period (-157 basis points (bps)), this is because the overwrite strategy suffers at times of market rises, particularly when low volatility causes low strike prices for the call options that are sold under the strategy. As such the first four months of the year (October 2019-January 2020) saw most of the overwrite losses. The S&P500, the dominant index within MSCI World, was up 14% over the period, and the low volatility, with the Cboe Volatility Index (VIX) staying below 15, kept the strike prices in the 102-103 range. The sharp market recovery from the March 2020 lows, with the S&P up over 50%

from its lows by the end of September, had less of an impact on the overwrite, as the higher VIX, remaining over 20, meant that the strike prices were in the 105+ range, mitigating the losses.

Top absolute contributors for the period were Microsoft (+397 bps), Reckitt Benckiser (+178 bps) and Danaher (+153 bps). Top detractors were Heineken (-102 bps), Automatic Data Processing (-83 bps) and Coca-Cola (-69 bps).

MARKET REVIEW

The high volatility experienced in the first quarter of 2020, as the COVID-19 pandemic spread around the world, returned to more normal levels in subsequent quarters. In the 12-month period, the MSCI World (Net) Index returned 5.24% in sterling terms. Most markets underperformed in relative terms and were negative in absolute terms, with Austria (-32.3%), Belgium (-26.8%) and Spain (-24.7%) the biggest laggards. Denmark (+35.8%), New Zealand (+18.6%) and Sweden (+16.7%) were the largest positive performers. The U.S. (+11%) outperformed the Index for the period, whilst the U.K. (-19.8%) underperformed in relative and absolute terms.

Information technology (+38.4%), consumer discretionary (+19.6%), health care (+15.2%), communication services (+9.5%) and materials (+7.3%) outperformed the Index. All the other sectors failed to beat the Index, with energy (-45.9%), financials (-18.8%) and real estate (-15.7%) the weakest performing sectors.

PORTFOLIO ACTIVITY

During the last 12 months, most of our portfolio activity was driven by valuation. We shifted from names where valuations were looking extended into names that had experienced drawdowns which we found unjustified in light of their medium-term prospects. We also initiated positions in Procter & Gamble, LVMH, Roper Technology and Intercontinental Exchange (ICE) and exited Church & Dwight.

We think Procter & Gamble has turned itself around, cleaning up its organisational structure and building best-in-class digital expertise. At the heart of LVMH is Louis Vuitton, one of the biggest and most profitable luxury goods brands in the world, which has helped LVMH compound earnings at a 12% compound annual growth rate for almost 20 years. Over time, through excellent management and good capital allocation, it has become a broader luxury goods group, home to many of the world's most recognisable luxury brands, while still generating high operating returns. Roper Technology manages approximately 50 technology and industrial firms, most of which have a significant level of recurring revenue, and all of which have very low capital intensity and strong free cash flow generation. The stock became more attractive on a relative basis during the COVID-induced drawdown, which provided an attractive entry point. ICE is a leading exchange group and has strong barriers to entry in its diverse collection of businesses. It benefits from

Global Brands Equity Income Fund

Fund Review (continued)

network effects in its trading and clearing venues, particularly in derivatives, brands (notably the New York Stock Exchange) and valuable data sets in fixed income. As a result, ICE has a 100% return on operating capital employed, with half of its revenue recurring and the other half spread across a wide range of products and asset classes. It is acquisitive, most recently buying Ellie Mae in the mortgage industry, but it has a proven record of making deals work.

We sold the remnants of our holding in Church & Dwight due to its poor capital allocation decisions, with the company having made acquisitions of businesses that produce appliances rather than consumer brands.

STRATEGY & OUTLOOK

Our outlook is generally cautious – it fits with the temperament required to invest in high quality equities. In fact, we would argue that there are many reasons to be cautious right now.

While the world economy is recovering from the lockdowns earlier in 2020, there is plenty of ground still to be made up, even without the impact of a second wave, and plenty of debt already added. In addition, there is a very uncertain geopolitical outlook – not least the potential for a contested election result in the U.S.

Despite all of this, markets have recovered sharply from the first quarter 2020 collapse, roughly back to their very high levels at the start of the year, pricing in high expectations of an economic recovery. We remain unconvinced all the potential damage from the crisis is priced in markets.

Given all this uncertainty, we believe that quality is the right approach, given the attraction of resilient free cash flows and solid balance sheets.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Global Brands Equity Income Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2020

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
France – 5.21%					
	5,539	L'Oreal	1,408,744	2.52	
	2,030	LVMH Moet Hennessy Louis Vuitton	746,468	1.34	
	6,062	Pernod Ricard	755,943	1.35	
			2,911,155	5.21	6.16
Germany – 4.57%					
	21,016	SAP	2,556,105	4.57	
			2,556,105	4.57	5.27
Ireland – 4.83%					
	15,454	Accenture	2,697,961	4.83	
			2,697,961	4.83	4.77
Italy – 0.52%					
	33,940	Davide Campari-Milano	287,734	0.52	
			287,734	0.52	1.02
Netherlands – 2.82%					
	16,290	Heineken	1,124,440	2.01	
	26,135	RELX (Netherlands Listing)	451,001	0.81	
			1,575,441	2.82	4.63
United Kingdom – 16.54%					
	49,422	British American Tobacco	1,373,437	2.46	
	18,386	Experian	541,468	0.97	
	66,985	Reckitt Benckiser	5,089,520	9.11	
	67,101	RELX (London Listing)	1,158,499	2.07	
	22,444	Unilever	1,080,230	1.93	
			9,243,154	16.54	20.53
United States – 63.11%					
	27,480	Abbott Laboratories	2,252,577	4.03	
	17,911	Automatic Data Processing	1,919,578	3.44	
	38,454	Baxter International	2,369,418	4.24	
	11,163	Becton Dickinson	1,961,016	3.51	
	27,365	Coca-Cola	1,043,207	1.87	
	14,346	Danaher	2,358,187	4.22	
	1,949	FactSet Research Systems	507,112	0.91	
	12,969	Fidelity National Information Services	1,503,625	2.69	
	21,799	Fox Corporation A Shares	471,738	0.84	
	12,156	Fox Corporation B Shares	263,534	0.47	
	13,220	Intercontinental Exchange	1,021,131	1.83	
	29,549	Microsoft	4,770,207	8.54	
	2,816	Moody's	627,014	1.12	
	8,970	NIKE	883,054	1.58	
	72,747	Philip Morris International	4,214,307	7.54	
	25,405	Procter & Gamble	2,716,596	4.86	
	1,599	Roper Technologies	500,104	0.90	
	5,912	Thermo Fisher Scientific	2,000,796	3.58	
	19,574	Visa	3,042,148	5.44	
	6,615	Zoetis	837,565	1.50	
			35,262,914	63.11	56.15
Swaps Contracts – 0.07%					
Counterparty	Currency	Nominal amount	Security description	Maturity date	Unrealised Gain/(Loss)
Morgan Stanley	USD	15,523,599	International Total Return Swap 1%	30/04/2021	(7,459)
Morgan Stanley	USD	12,450,426	International Total Return Swap 2%	30/04/2021	(12,937)
Morgan Stanley	USD	16,613,207	International Total Return Swap 3%	30/04/2021	(28,256)
Morgan Stanley	USD	13,520,123	International Total Return Swap 4%	30/04/2021	(33,741)
Morgan Stanley	USD	15,254,308	International Total Return Swap 1%	31/05/2021	11,828
Morgan Stanley	USD	12,069,673	International Total Return Swap 2%	31/05/2021	19,374
Morgan Stanley	USD	16,060,386	International Total Return Swap 3%	31/05/2021	41,585
Morgan Stanley	USD	13,046,957	International Total Return Swap 4%	31/05/2021	47,642
					38,036
					0.07
					(0.18)
Portfolio of investments			54,572,500	97.67	98.35
Net other assets			1,303,229	2.33	1.65
Net assets			55,875,729	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Global Brands Equity Income Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2020

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2020 was as follows:

Swap Contracts

Counterparty	Notional value (£)	Value of exposure (£)
Morgan Stanley	114,538,679	38,036
Total	114,538,679	38,036

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2019 was as follows:

Swap Contracts

Counterparty	Notional value (£)	Value of exposure (£)
Morgan Stanley	50,603,646	43,705
Total	50,603,646	43,705

Global Brands Equity Income Fund

Securities Financing Transactions (unaudited)

AS AT 30 SEPTEMBER 2020

In accordance with Article 13 of the Regulation (EU) 2015/2365, the Fund's sole involvement in and exposure related to securities financing transactions is its engagement in total return swap activity for the year ended 30 September 2020 as detailed below:

1) Global Data

Assets engaged in Total Return Swaps	GBP	%
Total Net Assets	55,875,729	
Unrealised Gain and Loss in Fund Currency (in absolute value):		
Total return swaps	202,822	
% of Total Net Asset Value		0.36%

2) Concentration Data

The following table provides details of all counterparties in respect of the total return swaps at the reporting date.

Counterparty Name	Incorporation Country	Unrealised Gain and Loss in GBP (in absolute value)
Morgan Stanley & Co. International Plc	United States	202,822

3) Aggregate transaction data

No collateral was received or granted by the Fund with respect to the total return swap transactions during the year to the reporting date.

The following table provides an analysis of the maturity tenor, based on the contractual maturity date, in respect of the total return swap as at the reporting date:

Maturity Tenor of Total Return Swaps (remaining period to maturity)								
Type	Less than one day	One day to one week	One week to one month	One to three months	Three months to one year	Above one year	Open transactions	Total
Total return swaps	-	-	-	-	202,822	-	-	202,822
	-	-	-	-	202,822	-	-	202,822

4) Return and Cost

All returns from total return swaps will accrue to the Fund and are not subject to any returns sharing arrangements with the Fund's ACD or any other third parties.

The following table provides an analysis of return and cost in respect of the total return swaps as at the reporting date:

	Global Brands Equity Income Fund GBP
Return	
Interest received on total return swap transactions	795,461
Net realised gain/(loss) on total return swap contracts	(1,117,438)
Net change in unrealised appreciation/(depreciation) on total return swap contracts	33,864
	(288,113)
Cost	
Interest paid on total return swap transactions	-
	-
Net Return	(288,113)

Global Brands Equity Income Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Income					
Net capital gains	4		2,136,241		1,254,182
Revenue	5	1,477,344		545,829	
Expenses	6	(241,412)		(83,984)	
Interest payable and similar charges		(33)		-	
Net revenue before taxation		1,235,899		461,845	
Taxation	7	(156,111)		(59,963)	
Net revenue after taxation			1,079,788		401,882
Total return before distributions			3,216,029		1,656,064
Distributions	8		(1,321,200)		(485,866)
Change in net assets attributable to shareholders from investment activities			1,894,829		1,170,198

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Opening net assets attributable to shareholders		24,963,644		5,303,763
Amounts receivable on issue of shares	37,061,432		19,220,278	
Amounts payable on cancellation of shares	(8,370,207)		(918,381)	
		28,691,225		18,301,897
Dilution adjustment charged		17,903		7,222
Change in net assets attributable to shareholders from investment activities		1,894,829		1,170,198
Retained distribution on accumulation shares		308,128		180,564
Closing net assets attributable to shareholders		55,875,729		24,963,644

Balance Sheet

AS AT 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Assets					
Investment assets			54,654,893		24,614,385
Debtors	9	1,176,276		408,239	
Cash and bank balances	10	1,463,672		630,649	
Total other assets			2,639,948		1,038,888
Total assets			57,294,841		25,653,273
Liabilities					
Investment liabilities			82,393		61,758
Creditors	11	851,368		446,499	
Distribution payable on income shares		485,351		181,372	
Total other liabilities			1,336,716		627,871
Total liabilities			1,419,112		689,629
Net assets attributable to shareholders			55,875,729		24,963,644

The accompanying notes are an integral part of these Financial Statements.

Global Brands Equity Income Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Association in May 2014 and amended in June 2017 and the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

(b) Revenue

Dividends on equities and preference stock are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis. Amounts recognised as revenue will form part of the Company's distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

Special dividends are treated as either capital or revenue depending on the facts of each particular case.

Returns from total return swaps in the form of dividends or interest received from the underlying security or index are recognised as revenue. Capital gains/losses on the underlying security or index are treated as capital.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accruals basis. All expenses, including those relating to the purchase and sale of investments, are charged to capital.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the period is shown in notes 4 and 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year.

UK dividend revenue is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in note 7.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12:00pm on the last business day of the accounting year, 30 September 2020. The value of derivative contracts is calculated with reference to the price/value of the underlying assets and other relevant factors such as interest rates and volatility.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting year.

(g) Treatment of derivatives

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and Funds' objectives for investment in derivative instruments. Where positions are held to protect capital, the returns are treated as capital. Where positions are held to generate revenue, the returns are treated as revenue. Where positions generate total returns, these returns are apportioned between capital and revenue to properly reflect the nature of the transaction.

2. DISTRIBUTION POLICY

The revenue from the Fund's investments accumulates during each accounting period. The income available for distribution is calculated by taking the aggregate of income received or receivable by the Fund in respect of the period and making any other adjustments that are permitted by the Rules and that the ACD considers appropriate in relation to both income and expenses (including taxation). The investment revenue is considered to include income earned through receipt of premiums by taking exposure via one or more swaps to written options on equity securities and/or to indices.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The allocation of revenue is based upon the proportion of the Fund's assets attributable to each share class, on the day the revenue is earned. Income equalisation is specific to each share class.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner.

Derivative instruments held within the Fund will be accounted for in accordance with the SORP. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk (d) liquidity risk, (e) use of derivatives and other investment techniques.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the year.

(a) Market price risk

The Fund's investment portfolio is exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than Sterling, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments.

The Investment Manager ('IM') manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2020, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £2,728,625 (2019: £1,227,631).

(b) Foreign currency risk and currency exposure

Some of the Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that Fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the Fund.

As at 30 September 2020, if the value of Sterling increased or decreased by 1%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £450,713 (2019: £194,323).

The Fund's currency exposure as at 30 September 2020 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Euro	(61,177)	7,330,435	7,269,258
Swiss Franc	6	-	6
US Dollar	(158,794)	37,960,874	37,802,080
Total	(219,965)	45,291,309	45,071,344

The Fund's currency exposure as at 30 September 2019 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Euro	-	4,262,939	4,262,939
Swiss Franc	6	-	6
US Dollar	(39,743)	15,209,139	15,169,396
Total	(39,737)	19,472,078	19,432,341

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered to be a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depositary.

Non-interest cashflows (i.e. dividend income) may fluctuate depending on the particular decisions made by each issuer.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2020 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2020			
Euro	(33)	7,331,491	7,331,458
Pound Sterling	1,387,223	10,328,990	11,716,213
Swiss Franc	6	-	6
US Dollar	76,476	38,170,688	38,247,164
Total	1,463,672	55,831,169	57,294,841
2019			
Euro	-	4,262,939	4,262,939
Pound Sterling	592,123	5,496,441	6,088,564
Swiss Franc	6	-	6
US Dollar	38,520	15,263,244	15,301,764
Total	630,649	25,022,624	25,653,273
Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2020			
Euro	-	62,200	62,200
Pound Sterling	-	911,828	911,828
US Dollar	-	445,084	445,084
Total	-	1,419,112	1,419,112
2019			
Pound Sterling	-	557,261	557,261
US Dollar	-	132,368	132,368
Total	-	689,629	689,629

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied by the Depositary, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2020 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of the Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures, swaps and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

Value at Risk

The Value at Risk (VaR) analytic provides a broad indication of the maximum potential loss at a given confidence level, over a specific time period under normal market conditions. The VaR model uses a parametric approach based on a variance/covariance risk factor matrix.

The maximum VaR is 20%. The table below provides the lowest, highest and average percentage of utilization of the VaR limit calculated for 30 September 2020.

	2020	2019
Lowest	7.55%	6.51%
Highest	13.74%	8.52%
Average	10.68%	7.85%

Leverage

Average Leverage is calculated as the sum of the notional value of all derivatives in the Fund divided by the net asset value.

	2020	2019
Average Gross Leverage	196%	130%

4. NET CAPITAL GAINS

	30 Sep 20 (£)	30 Sep 19 (£)
Gains on non-derivative securities	3,331,485	1,700,782
Losses on derivative contracts	(1,083,574)	(419,128)
Currency losses	(79,482)	(10,576)
Transaction charges	(46,071)	(31,163)
ACD's reimbursement to capital	13,883	14,267
Net capital gains	2,136,241	1,254,182

5. REVENUE

	30 Sep 20 (£)	30 Sep 19 (£)
Overseas dividends	485,700	164,258
UK dividends	195,968	86,075
Swap income	795,461	295,380
Bank interest	215	116
Total revenue	1,477,344	545,829

6. EXPENSES

	30 Sep 20 (£)	30 Sep 19 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	219,461	83,227
Administration charge	82,347	29,455
Less ACD's reimbursement to revenue	(91,755)	(70,300)
	210,053	42,382
Other expenses:		
Financial Conduct Authority fee	483	485
Audit fee	11,729	8,254
Depository's fees	9,600	9,642
Safe custody fees	1,771	735
Professional fees	9,223	11,047
Printing & production costs	(1,516)	11,341
Registration fees	69	98
	31,359	41,602
Total expenses	241,412	83,984

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 20 (£)	30 Sep 19 (£)
Corporation tax	110,846	42,335
Overseas tax	45,265	17,628
Total taxation	156,111	59,963

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue before taxation	1,235,899	461,845
Corporation tax of 20% (2019: 20%)	247,180	92,369
Revenue not subject to corporation tax	(136,334)	(50,034)
Overseas tax	45,265	17,628
Total tax for the year	156,111	59,963

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 20 (£)	30 Sep 19 (£)
First interim	207,797	55,824
Second interim	239,994	62,236
Third interim	458,171	234,118
Final	597,461	245,443
Add: Amounts deducted on cancellation of shares	34,717	5,273
Less: Amounts received on issue of shares	(216,940)	(117,028)
Net distribution for the year	1,321,200	485,866

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Distributions are represented by:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue after taxation	1,079,788	401,882
Expenses taken to capital	241,412	83,984
Net distribution for the year	1,321,200	485,866

Details of the distribution per share are set out in the Distribution Tables on pages 45 to 46.

9. DEBTORS

	30 Sep 20 (£)	30 Sep 19 (£)
Accrued revenue	89,384	36,052
Amounts receivable for issue of shares	1,094,611	289,326
Sales awaiting settlement	–	53,877
Overseas tax recoverable	1,055	1,399
Reimbursement of expenses receivable from ACD	(8,774)	27,585
	1,176,276	408,239

10. CASH AND BANK BALANCES

	30 Sep 20 (£)	30 Sep 19 (£)
Cash and bank balances	1,463,672	630,649
	1,463,672	630,649

11. CREDITORS

	30 Sep 20 (£)	30 Sep 19 (£)
Purchases awaiting settlement	503,149	70,610
Accrued expenses	178,380	106,128
Amount payable for cancellation of shares	58,993	227,426
Corporation tax payable	110,846	42,335
	851,368	446,499

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and note 8. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting year are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the year in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in notes 4 and 6.

The Fund has entered into OTC Swap transactions to which Morgan Stanley acts as a counterparty.

There are no material shareholders at the year end date (2019: no material shareholders).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2019: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class F	0.50%
Class I	0.85%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on pages 32 to 33. The distribution per share class is given in the Distribution Tables on pages 45 to 46.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 20 (£)	30 Sep 19 (£)
Equities	36,098,796	19,194,239	9,529,974	1,559,248
Trades in the year before transaction costs	36,098,796	19,194,239	9,529,974	1,559,248
Commissions				
Equities	4,135	2,307	(1,516)	(148)
Total commissions	4,135	2,307	(1,516)	(148)
Taxes				
Equities	31,990	20,733	(185)	(19)
Total taxes	31,990	20,733	(185)	(19)
Total costs	36,125	23,040	(1,701)	(167)
Total net trades in the year after transaction costs	36,134,921	19,217,279	9,528,273	1,559,081

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 0.03% (2019: 0.02%).

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 20 %	30 Sep 19 %	30 Sep 20 %	30 Sep 19 %
Commissions				
Equities	0.011	0.012	(0.016)	(0.009)
Taxes				
Equities	0.089	0.108	(0.002)	(0.001)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 20 %	30 Sep 19 %
Commissions	0.017	0.021
Taxes	0.097	0.177
Total	0.114	0.198

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year 30 ended Sep 2020

	F Income	I Accumulation	I Income
Opening shares in issue	1,084,835	446,762	429,967
Creations during the year	1,885,751	407,272	668,847
Cancellations during the year	(376,762)	(190,452)	(100,344)
Closing shares in issue	2,593,824	663,582	998,470

17. FAIR VALUE HIERARCHY

Valuation technique	Assets	Liabilities	Assets	Liabilities
	30 Sep 20 (£)	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 19 (£)
Quoted prices for identical instruments in active markets [^]	54,534,464	-	24,596,332	-
Valuation techniques using observable market data ^{^^}	120,429	(82,393)	18,053	(61,758)
Valuation techniques using non-observable data ^{^^^}	-	-	-	-
	54,654,893	(82,393)	24,614,385	(61,758)

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publicly traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

18. EPIDEMICS/PANDEMICS/OUTBREAKS RISK

The performance of the Shares depends on the performance of the investments of the Funds, which could also be adversely affected by the effects of epidemics, pandemics or outbreaks of communicable diseases. In response to intensifying efforts to contain epidemics, pandemics or outbreaks of communicable diseases, governments around the world may take a number of actions, such as prohibiting residents' freedom of movement, encouraging or ordering employees to work remotely from home, and banning public activities and events, among others. Any prolonged disruption of businesses could negatively impact financial conditions. The performance of the Shares could be adversely affected to the extent that any of these epidemics, pandemics or outbreaks harms the economy in general.

19. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

Global Brands Equity Income Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2020

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2019

Group 2: shares purchased between 1 October 2019 and 31 December 2019

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 28 Feb 2020 (p)	Distribution paid/accumulated 28 Feb 2019 (p)
Share Class F – Income				
Group 1	10.7028	–	10.7028	10.3437
Group 2	7.1606	3.5422	10.7028	10.3437
Share Class I – Accumulation				
Group 1	13.2431	–	13.2431	12.4127
Group 2	7.4817	5.7614	13.2431	12.4127
Share Class I – Income				
Group 1	11.6497	–	11.6497	11.4158
Group 2	7.2769	4.3728	11.6497	11.4158

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 January 2020

Group 2: shares purchased between 1 January 2020 and 31 March 2020

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2020 (p)	Distribution paid/accumulated 31 May 2019 (p)
Share Class F – Income				
Group 1	10.0548	–	10.0548	8.3404
Group 2	3.3068	6.7480	10.0548	8.3404
Share Class I – Accumulation				
Group 1	12.8019	–	12.8019	10.1377
Group 2	7.0602	5.7417	12.8019	10.1377
Share Class I – Income				
Group 1	11.2661	–	11.2661	9.2259
Group 2	6.3109	4.9552	11.2661	9.2259

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2020

Group 2: shares purchased between 1 April 2020 and 30 June 2020

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Aug 2020 (p)	Distribution paid/accumulated 31 Aug 2019 (p)
Share Class F – Income				
Group 1	12.1495	–	12.1495	14.9512
Group 2	3.7286	8.4209	12.1495	14.9512
Share Class I – Accumulation				
Group 1	15.3922	–	15.3922	18.1801
Group 2	8.7467	6.6455	15.3922	18.1801
Share Class I – Income				
Group 1	13.3381	–	13.3381	16.4170
Group 2	7.1595	6.1786	13.3381	16.4170

Global Brands Equity Income Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 July 2020

Group 2: shares purchased between 1 July 2020 and 30 September 2020

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2020 (p)	Distribution paid/accumulated 30 Nov 2019 (p)
Share Class F – Income				
Group 1	13.1332	–	13.1332	11.6515
Group 2	5.8493	7.2839	13.1332	11.6515
Share Class I – Accumulation				
Group 1	16.8946	–	16.8946	14.3411
Group 2	8.2231	8.6715	16.8946	14.3411
Share Class I – Income				
Group 1	14.4894	–	14.4894	12.7853
Group 2	6.8888	7.6006	14.4894	12.7853

EQUALISATION

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

Global Sustain Fund

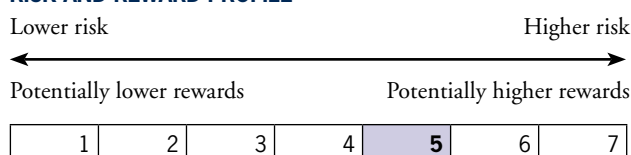
as at 30 September 2020

Fund Review

INVESTMENT OBJECTIVE

The Fund aims to grow your investment over 5 – 10 years.

RISK AND REWARD PROFILE



The Fund has not changed the risk level category during the financial year.

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares and the Fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The Fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- Investment in China A-Shares via Shanghai-Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.

COMPARATIVE TABLES

AS AT 30 SEPTEMBER 2020

	Share Class F – Accumulation (iv)	
	30 Sep 2020	30 Sep 2019
Change in net assets per share (iii)	(£)	(£)
Opening net asset value per share	10.02	10.00
Return before operating charges	1.34	0.02
Operating charges	(0.07)	0.00
Return after operating charges	1.27	0.02
Distributions	(0.08)	–
Retained distributions on accumulation shares	0.08	–
Closing net asset value per share	11.29	10.02
After direct transaction costs of:	0.02	0.01
Performance (i)		
Return after operating charges	12.67%	0.20%
Other information		
Closing net asset value	8,212,319	100,186
Closing number of shares	727,560	10,000
Operating Charges (ii)	0.65%	0.65%
Direct transaction costs	0.17%	0.10%
Prices		
Highest share price	11.49	10.13
Lowest share price	8.66	9.94

	Share Class F – Income (iv)	
	30 Sep 2020	30 Sep 2019
Change in net assets per share (iii)	(£)	(£)
Opening net asset value per share	10.02	10.00
Return before operating charges	1.33	0.02
Operating charges	(0.07)	0.00
Return after operating charges	1.26	0.02
Distributions	(0.08)	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	11.20	10.02
After direct transaction costs of:	0.02	0.01
Performance (i)		
Return after operating charges	12.59%	0.20%
Other information		
Closing net asset value	2,452,311	100,186
Closing number of shares	218,919	10,000
Operating Charges (ii)	0.65%	0.65%
Direct transaction costs	0.17%	0.00%
Prices		
Highest share price	11.47	10.13
Lowest share price	8.66	9.94

Global Sustain Fund

Fund Review (continued)

		Share Class I – Income (iv)	
		30 Sep 2020	30 Sep 2019
		(£)	(£)
		Share Class F Hedge – Accumulation (v)	
		30 Sep 2020	
		(£)	
Change in net assets per share (iii)			
Opening net asset value per share	10.00		
Return before operating charges	0.84		
Operating charges	(0.06)		
Return after operating charges	0.78		
Distributions	(0.08)		
Retained distributions on accumulation shares	0.08		
Closing net asset value per share	10.78		
After direct transaction costs of:	0.02		
Performance (i)			
Return after operating charges	7.80%		
Other information			
Closing net asset value	27,348,945		
Closing number of shares	2,537,155		
Operating Charges (ii)	0.65%		
Direct transaction costs	0.17%		
Prices			
Highest share price	11.29		
Lowest share price	7.75		
		Share Class I Hedge – Accumulation (v)	
		30 Sep 2020	
		(£)	
Change in net assets per share (iii)			
Opening net asset value per share	10.02	10.00	
Return before operating charges	1.33	0.02	
Operating charges	(0.08)	0.00	
Return after operating charges	1.25	0.02	
Distributions	(0.08)	–	
Retained distributions on accumulation shares	0.08	–	
Closing net asset value per share	11.27	10.02	
After direct transaction costs of:	0.02	0.01	
Performance (i)			
Return after operating charges	12.48%	0.20%	
Other information			
Closing net asset value	5,359,148	4,708,628	
Closing number of shares	475,514	470,000	
Operating Charges (ii)	0.80%	0.80%	
Direct transaction costs	0.17%	0.10%	
Prices			
Highest share price	11.48	10.13	
Lowest share price	8.66	9.94	
		Share Class I – Income (iv)	
		30 Sep 2020	30 Sep 2019
		(£)	(£)
Change in net assets per share (iii)			
Opening net asset value per share		10.02	10.00
Return before operating charges		1.32	0.02
Operating charges		(0.08)	0.00
Return after operating charges		1.24	0.02
Distributions		(0.07)	–
Retained distributions on accumulation shares		–	–
Closing net asset value per share		11.19	10.02
After direct transaction costs of:		0.02	0.01
Performance (i)			
Return after operating charges		12.41%	0.20%
Other information			
Closing net asset value		111,949	100,184
Closing number of shares		10,000	10,000
Operating Charges (ii)		0.80%	0.80%
Direct transaction costs		0.17%	0.10%
Prices			
Highest share price		11.46	10.13
Lowest share price		8.66	9.94

- (i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document, the 2021 Assessment of Value or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.
- (ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.
- (iii) Valued at bid basis.
- (iv) The Fund was launched on 23 September 2019.
- (v) Share Classes F Hedge Accumulation and I Hedge Accumulation were launched on 29 November 2019.

The opening NAV per share of the F Hedge and I Hedge Classes for 30 September 2020 is the price as on the launch date of 29 November 2019.

Global Sustain Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the year ending 30 September 2020, the Fund's I Accumulation class shares outperformed the benchmark, MSCI World (Net) Index, by 7.25%, returning 12.49% (i) (net of fees in sterling) versus 5.24% for the Index.

Outperformance in the one-year period was driven by sector allocation, with the large overweight in our core sectors – information technology and health care – along with the major underweight in financials and lack of energy stocks, all contributing. For stock selection, health care and information technology detracted more than consumer staples and financials contributed.

The largest contributors were Microsoft (+344 basis points (bps)), Reckitt Benckiser (+153 bps) and SAP (+145 bps). The largest absolute detractors were Automatic Data Processing (-76 bps), Coca-Cola (-49 bps) and Baxter (-48 bps).

MARKET REVIEW

For the one-year period, the MSCI World (Net) Index was up 5.24%. Unsurprisingly, given such a volatile year, it was a mix of both cyclical and defensive sectors that led the outperformance of the market. Information technology was up 38%, followed by consumer discretionary up 20% and health care up 15%, while communication services and materials were up just under 10%. In contrast, it was the cyclical sectors that fell the most, with energy down 46%, financials down 19% and real estate down 16%. On the defensive side, consumer staples (-1%) struggled to keep pace. In terms of geography, Denmark (up 36%), Sweden (+17%) and the U.S. (+11%) all strongly outperformed the market. The main laggards came from the periphery of Europe, namely Spain (-25%), the U.K. (-20%) and Italy (-14%), or from Asia, in the case of Singapore (-21%) and Hong Kong (-6%).

PORTFOLIO ACTIVITY

During the one-year period, we had the opportunity to initiate positions in four stocks and exited two. We built a position in Procter & Gamble, which we think has turned itself around, cleaning up its organisational structure and building best-in-class digital expertise. We initiated a position in Texas Instruments given its high quality franchise and leadership in analog semiconductors. We believe analog is an attractive market due to long product cycles, low capital intensity and low unit prices. We also bought Roper Technologies, which manages approximately 50 technology and industrial firms, most of which have a significant level of recurring revenue, and all of which have very low capital intensity and strong free cash flow generation. The stock became more attractive on a relative basis during the COVID-induced drawdown, providing an attractive entry point. Finally, we initiated a position in Intercontinental Exchange

(ICE). As a leading exchange group, it has strong barriers to entry in its diverse collection of businesses. It benefits from network effects in its trading and clearing venues, particularly in derivatives, brands (notably the New York Stock Exchange) and valuable data sets in fixed income. As a result, ICE has a 100% return on operating capital employed, with half of its revenue recurring and the other half spread across a wide range of products and asset classes. It is acquisitive, most recently buying Ellie Mae in the mortgage industry, but it has a proven record of making deals work.

The first of our final sales was Booking Holdings. Its deteriorating competitive environment, given the threat from Google, was aggravated by the seeming lack of a coherent management response. We also sold the remnants of our holding in Church & Dwight, due to its poor capital allocation decisions, with the company having made acquisitions of businesses that produce appliances rather than consumer brands.

STRATEGY & OUTLOOK

Our outlook is generally cautious – it fits with the temperament required to invest in high quality equities. However, we would argue that there are many reasons to be cautious right now.

While the world economy is recovering from the lockdowns earlier in 2020, there is plenty of ground still to be made up, even without the impact of a second wave, and plenty of debt already added. In addition, there is a very uncertain geopolitical outlook – not least the potential for a contested election result in the U.S.

Despite all of this, markets have recovered sharply from the first quarter 2020 collapse, roughly back to their very high levels at the start of the year, pricing in high expectations of an economic recovery. We remain unconvinced that all the potential damage from the crisis is priced in markets.

Our continuing focus is on companies with powerful intangible assets and pricing power, which when combined with recurring revenues, drive resilient earnings in tough times.

Furthermore, we believe that the crisis may be an extra spur for environmental, social and governance (ESG) considerations. We believe it is more likely that the current crisis elevates social factors (e.g. how companies treat employees, health and safety, pay and job security) and begins to define a blueprint for more sustainable business and society.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Global Sustain Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2020

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
Canada – 2.81%					
	1,401	Constellation Software	1,227,943	2.81	
			1,227,943	2.81	2.77
France – 2.08%					
	2,595	L'Oreal	659,991	1.51	
	3,158	Sanofi	248,101	0.57	
			908,092	2.08	3.48
Germany – 11.09%					
	26,359	Henkel Preference Shares	2,153,340	4.94	
	22,062	SAP	2,683,327	6.15	
			4,836,667	11.09	8.92
Hong Kong – 1.54%					
	88,200	AIA	673,123	1.54	
			673,123	1.54	1.56
Ireland – 8.25%					
	11,776	Accenture	2,055,855	4.71	
	19,307	Medtronic	1,544,559	3.54	
			3,600,414	8.25	8.46
Netherlands – 0.57%					
	14,317	RELX (Netherlands Listing)	247,063	0.57	
			247,063	0.57	0.69
Taiwan – 2.03%					
	14,100	Taiwan Semiconductor Manufacturing ADR	884,621	2.03	
			884,621	2.03	1.31
United Kingdom – 12.58%					
	4,788	Experian	141,007	0.32	
	28,549	GlaxoSmithKline	419,156	0.96	
	47,935	Prudential	539,269	1.24	
	40,688	Reckitt Benckiser	3,091,474	7.08	
	45,143	RELX (London Listing)	779,394	1.79	
	10,830	Unilever	521,248	1.19	
			5,491,548	12.58	17.28
United States – 56.82%					
	18,981	Abbott Laboratories	1,555,901	3.57	
	1,247	Alphabet	1,424,606	3.27	
	10,946	Amphenol	926,518	2.12	
	11,461	Automatic Data Processing	1,228,311	2.82	
	29,042	Baxter International	1,789,480	4.10	
	9,335	Becton Dickinson	1,639,889	3.76	
	14,442	Cerner	801,189	1.84	
	11,359	Coca-Cola	433,027	0.99	
	9,027	Danaher	1,483,853	3.40	
	1,077	FactSet Research Systems	280,225	0.64	
	7,970	Fidelity National Information Services	924,041	2.12	
	8,651	Intercontinental Exchange	668,215	1.53	
	18,023	Microsoft	2,909,521	6.67	
	1,218	Moody's	271,201	0.62	
	5,907	NIKE	581,516	1.33	
	18,022	Procter & Gamble	1,927,121	4.42	
	1,404	Roper Technologies	439,116	1.01	
	6,002	Texas Instruments	661,962	1.52	
	3,742	Thermo Fisher Scientific	1,266,404	2.90	
	13,920	Twenty First Century Fox A Shares	301,234	0.69	
	10,794	Twenty First Century Fox B Shares	234,007	0.54	
	15,325	Visa	2,381,778	5.46	
	5,169	Zoetis	654,478	1.50	
			24,783,593	56.82	53.55

Global Sustain Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2020

Forward Currency Contracts – Hedged Share Classes – 0.43%

Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss)†	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
CAD	799,708	CAD	1,356,464	30/10/2020	State Street Bank	10,197	0.02	
CAD	43,137	GBP	25,061	30/10/2020	State Street Bank	46	–	
EUR	3,809,359	EUR	4,137,834	30/10/2020	State Street Bank	31,689	0.07	
HKD	142,269	GBP	14,279	30/10/2020	State Street Bank	23	–	
HKD	446,474	HKD	4,405,300	30/10/2020	State Street Bank	3,615	0.01	
USD	30	GBP	24	30/10/2020	State Street Bank	–	–	
USD	18,154,386	USD	23,105,274	30/10/2020	State Street Bank	151,766	0.34	
Unrealised gain on Forward Currency Exchange Contracts – Hedged Share Classes						197,336	0.44	
CAD	25,205	CAD	43,349	30/10/2020	State Street Bank	(25)	–	
EUR	108,309	EUR	119,196	30/10/2020	State Street Bank	(509)	–	
EUR	95,600	GBP	87,515	30/10/2020	State Street Bank	(236)	–	
HKD	3,419	HKD	34,051	30/10/2020	State Street Bank	(4)	–	
USD	603,900	GBP	475,252	30/10/2020	State Street Bank	(4,719)	(0.01)	
USD	597,949	USD	768,322	30/10/2020	State Street Bank	(694)	–	
Unrealised loss on Forward Currency Exchange Contracts – Hedged Share Classes						(6,187)	(0.01)	
Net Unrealised gain on Forward Currency Exchange Contracts – Hedged Share Classes						191,149	0.43	–
Portfolio of investments						42,844,213	98.20	98.02
Net other assets						786,653	1.80	1.98
Net assets						43,630,866	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

Financial derivative instrument risk exposure

The exposure obtained from the Forward Currency Exchange Contracts and identity of counterparties as at 30 September 2020 are presented in the Portfolio Statement.

Global Sustain Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Income					
Net capital gains	4		2,636,041		8,572
Revenue	5	289,213		1,351	
Expenses	6	(104,035)		(613)	
Net revenue before taxation		185,178		738	
Taxation	7	(25,019)		(126)	
Net revenue after taxation			160,159		612
Total return before distributions			2,796,200		9,184
Distributions	8		(160,768)		-
Change in net assets attributable to shareholders from investment activities			2,635,432		9,184

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Opening net assets attributable to shareholders		5,009,184		-
Amounts receivable on issue of shares	36,079,117		5,000,000	
Amounts payable on cancellation of shares	(373,386)		-	
		35,705,731		5,000,000
Dilution adjustment charged		34,222		-
Change in net assets attributable to shareholders from investment activities		2,635,432		9,184
Retained distribution on accumulation shares		246,297		-
Closing net assets attributable to shareholders		43,630,866		5,009,184

Balance Sheet

AS AT 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Assets					
Investment assets			42,850,400		4,910,165
Debtors	9	259,171		15,106	
Cash and bank balances	10	692,142		94,206	
Total other assets			951,313		109,312
Total assets			43,801,713		5,019,477
Liabilities					
Investment liabilities			6,187		-
Creditors	11	150,256		10,293	
Distribution payable on income shares		14,404		-	
Total other liabilities			164,660		10,293
Total liabilities			170,847		10,293
Net assets attributable to shareholders			43,630,866		5,009,184

The accompanying notes are an integral part of these Financial Statements.

Global Sustain Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Association in May 2014 and amended in June 2017 and the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

(b) Revenue

Dividends on equities and preference stock are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis. Amounts recognised as revenue will form part of the Company's distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

Special dividends are treated as either capital or revenue depending on the facts of each particular case.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accruals basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the period is shown in notes 4 and 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year.

UK dividend revenue is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the taxation note 7.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than

those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12.00pm on the last business day of the accounting year, 30 September 2020.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting year.

2. DISTRIBUTION POLICY

The revenue from the Fund's investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the proportion of the Fund's assets attributable to each share class, on the day the revenue is earned or expense is suffered. Income equalisation and the annual management charge, are specific to each share class.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Global Sustain Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner.

Derivative instruments held within the Fund will be accounted for in accordance with the SORP. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk and (d) liquidity risk and (e) use of derivatives and other investment techniques.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the year.

(a) Market price risk

The Fund's investment portfolio is exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than Sterling, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager ('IM') manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2020, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £2,142,211 (2019: £245,508).

(b) Foreign currency risk and currency exposure

Some of the Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that Fund. As a result, movements in exchange rates

affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the Fund.

As at 30 September 2020, if the value of Sterling increased or decreased by 1%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £140,716 (2019: £40,423).

The Fund's currency exposure as at 30 September 2020 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Canadian Dollar	(789,635)	1,227,943	438,308
Euro	(3,791,190)	5,991,822	2,200,632
Hong Kong Dollar	(429,094)	673,123	244,029
US Dollar	(18,080,040)	29,268,628	11,188,588
Total	(23,089,959)	37,161,516	14,071,557

The Fund's currency exposure as at 30 September 2019 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Canadian Dollar	138,587	-	138,587
Euro	655,418	-	655,418
Hong Kong Dollar	78,269	-	78,269
US Dollar	3,172,112	(2,050)	3,170,062
Total	4,044,386	(2,050)	4,042,336

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered to be a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depository.

Non-interest cashflows (i.e. dividend income) may fluctuate depending on the particular decisions made by each issuer.

Global Sustain Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2020 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2020			
Canadian Dollar	–	438,333	438,333
Euro	65	2,201,312	2,201,377
Hong Kong Dollar	2,886	241,147	244,033
Pound Sterling	637,854	29,045,849	29,683,703
US Dollar	51,337	11,182,930	11,234,267
Total	692,142	43,109,571	43,801,713
2019			
Canadian Dollar	–	138,587	138,587
Euro	–	655,418	655,418
Hong Kong Dollar	–	78,269	78,269
Pound Sterling	93,058	879,660	972,718
US Dollar	1,148	3,173,337	3,174,485
Total	94,206	4,925,271	5,019,477
Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2020			
Canadian Dollar	–	25	25
Euro	–	745	745
Hong Kong Dollar	–	4	4
Pound Sterling	–	124,394	124,394
US Dollar	–	45,679	45,679
Total	–	170,847	170,847
2019			
Pound Sterling	–	5,870	5,870
US Dollar	–	4,423	4,423
Total	–	10,293	10,293

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied by the Depository, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2020 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of the Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

Global Sustain Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

4. NET CAPITAL GAINS

	30 Sep 20 (£)	30 Sep 19 (£)
Gains on non-derivative securities	2,886,076	10,343
Losses on derivative contracts	(198,793)	-
Currency losses	(38,141)	(1,726)
Transaction charges	(22,031)	(398)
ACD's reimbursement to capital	8,930	353
Net capital gains	2,636,041	8,572

5. REVENUE

	30 Sep 20 (£)	30 Sep 19 (£)
Overseas dividends	211,437	1,351
UK dividends	77,755	-
Bank interest	21	-
Total revenue	289,213	1,351

6. EXPENSES

	30 Sep 20 (£)	30 Sep 19 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	91,853	533
Administration charge	25,278	124
Less ACD's reimbursement to revenue	(65,452)	(4,860)
	51,679	(4,203)
Other expenses:		
Financial Conduct Authority fee	706	15
Audit fee	10,591	2,500
Depository's fees	7,419	16
Safe custody fees	(1,589)	1,922
Professional fees	28,330	207
Printing & production costs	6,876	156
Registration fees	23	-
	52,356	4,816
Total expenses	104,035	613

7. TAXATION

(a) Analysis of charge in the period:

	30 Sep 20 (£)	30 Sep 19 (£)
Overseas tax	25,019	126
Total tax for the period	25,019	126

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue before taxation	185,178	738
Corporation tax of 20%	37,036	148
Effects of:		
Revenue not subject to corporation tax	(57,837)	(270)
Movement in excess expenses	20,801	122
Overseas tax	25,019	126
Total tax for the period	25,019	126

(c) Provision for deferred tax

At 30 September 2020 the Fund had surplus operating expenses of £104,617 (2019: £612). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £20,923 (2019: £122) has not been recognised.

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 20 (£)	30 Sep 19 (£)
Interim	19,270	-
Final	242,047	-
Add: Amounts deducted on cancellation of shares	952	-
Less: Amounts received on issue of shares	(101,501)	-
Net distribution for the year	160,768	-

Distributions are represented by:

	30 Sep 20 (£)	30 Sep 19 (£)
Movement on revenue account	609	-
Net distribution for the year	160,768	-

Details of the distribution per share are set out in the Distribution Tables on page 59.

9. DEBTORS

	30 Sep 20 (£)	30 Sep 19 (£)
Accrued revenue	40,985	1,225
Amounts receivable for issue of shares	280,240	-
Sales awaiting settlement	-	8,668
Overseas tax recoverable	10,733	-
Reimbursement of expenses receivable from ACD	(72,787)	5,213
	259,171	15,106

Global Sustain Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. CASH AND BANK BALANCES

	30 Sep 20 (£)	30 Sep 19 (£)
Cash and bank balances	692,142	94,206
	692,142	94,206

11. CREDITORS

	30 Sep 20 (£)	30 Sep 19 (£)
Purchases awaiting settlement	40,266	4,423
Accrued expenses	109,954	5,870
Amount payable for cancellation of shares	36	-
	150,256	10,293

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and note 8. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting year are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the year in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in notes 4 and 6.

One investor (FNZ (UK) Nominees Ltd) held 31% (2019: One investor (Morgan Stanley Seed Holdings, Ltd) held 100%) of the Fund as at the year end date and was deemed to be a material shareholder.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2019: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class F	0.50%
Class I	0.65%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on pages 47 to 48. The distribution per share class is given in the Distribution Tables on page 59.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 20 (£)	30 Sep 19 (£)
Equities	37,987,450	4,909,325	3,161,300	14,707
Trades in the year before transaction costs	37,987,450	4,909,325	3,161,300	14,707
Commissions				
Equities	3,808	506	(434)	(4)
Total Commissions	3,808	506	(434)	(4)
Taxes				
Equities	26,357	4,695	(74)	-
Total Taxes	26,357	4,695	(74)	-
Total costs	30,165	5,201	(508)	(4)
Total net trades in the year after transaction costs	38,017,615	4,914,526	3,160,792	14,703

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments.

Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread.

Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.05% (2019: 0.05%).

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 20 %	30 Sep 19 %	30 Sep 20 %	30 Sep 19 %
Commissions				
Equities	0.010	0.010	(0.014)	(0.027)
Taxes				
Equities	0.069	0.096	(0.002)	-

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 20 %	30 Sep 19 %
Commissions	0.023	0.010
Taxes	0.145	0.093
Total	0.168	0.103

Global Sustain Fund

Notes to the Financial Statements (continued)

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2020

	F		F Hedge	
	Accumulation	Income	Accumulation	Income
Opening shares in issue	10,000	10,000	–	470,000
Creations during the year	746,847	209,555	2,543,618	5,514
Cancellations during the year	(29,287)	(636)	(6,463)	–
Closing shares in issue	727,560	218,919	2,537,155	475,514

	I Hedge	
	Income	Accumulation
Opening shares in issue	10,000	–
Creations during the year	–	14,374
Cancellations during the year	–	(869)
Closing shares in issue	10,000	13,505

17. FAIR VALUE HIERARCHY

Valuation technique	Assets	Liabilities	Assets	Liabilities
	30 Sep 20 (£)	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 19 (£)
Quoted prices for identical instruments in active markets [^]	42,653,064	–	4,910,165	–
Valuation techniques using observable market data ^{^^}	197,336	(6,187)	–	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	42,850,400	(6,187)	4,910,165	–

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publicly traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

18. EPIDEMICS/PANDEMICS/OUTBREAKS RISK

The performance of the Shares depends on the performance of the investments of the Funds, which could also be adversely affected by the effects of epidemics, pandemics or outbreaks of communicable diseases. In response to intensifying efforts to contain epidemics, pandemics or outbreaks of communicable diseases, governments around the world may take a number of actions, such as prohibiting residents' freedom of movement, encouraging or ordering employees to work remotely from home, and banning public activities and events, among others. Any prolonged disruption of businesses could negatively impact financial conditions. The performance of the Shares could be adversely affected to the extent that any of these epidemics, pandemics or outbreaks harms the economy in general.

19. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

Global Sustain Fund

Distribution Table

FOR THE YEAR ENDED 30 SEPTEMBER 2020

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2019

Group 2: shares purchased between 1 October 2019 to 31 March 2020

	Revenue (p)	Equalisation (p)	Distribution paid/ accumulated 31 May 2020 (p)
Share Class F – Accumulation			
Group 1	–	–	–
Group 2	0.7686	1.0968	1.8654
Share Class F – Income			
Group 1	–	–	–
Group 2	1.2035	0.6654	1.8689
Share Class F Hedge – Accumulation			
Group 1	–	–	–
Group 2	0.8174	0.7241	1.5415
Share Class I – Accumulation			
Group 1	–	–	–
Group 2	1.1588	0.0050	1.1638
Share Class I – Income			
Group 1	–	–	–
Group 2	1.1638	0.0000	1.1638
Share Class I Hedge – Accumulation			
Group 1	–	–	–
Group 2	1.0128	0.0829	1.0957

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2020

Group 2: shares purchased between 1 April 2020 to 30 September 2020

	Revenue (p)	Equalisation (p)	Distribution paid/ accumulated 30 Nov 2020 (p)
Share Class F – Accumulation			
Group 1	6.3255	–	6.3255
Group 2	2.3624	3.9631	6.3255
Share Class F – Income			
Group 1	6.2993	–	6.2993
Group 2	3.2729	3.0264	6.2993
Share Class F Hedge – Accumulation			
Group 1	5.9804	–	5.9804
Group 2	2.5664	3.4140	5.9804
Share Class I – Accumulation			
Group 1	6.1332	–	6.1332
Group 2	–	–	–
Share Class I – Income			
Group 1	6.1334	–	6.1334
Group 2	–	–	–
Share Class I Hedge – Accumulation			
Group 1	5.3673	–	5.3673
Group 2	1.5342	3.8331	5.3673

EQUALISATION

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

The Fund was launched on 23 September 2019 with its first distribution period being March 2020 hence, all distributions for March 2020 were classed as group 2. There are no comparative figures for the previous year.

US Advantage Fund

as at 30 September 2020

Fund Review

INVESTMENT OBJECTIVE

The objective of the Fund is to grow your investment over 3 – 5 years.

RISK AND REWARD PROFILE

Lower risk ← Higher risk

Potentially lower rewards Potentially higher rewards

1	2	3	4	5	6	7
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The Fund has not changed the risk level category during the financial year.

The risk and reward category shown is based on simulated historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares and the Fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- Investment in China A-Shares via Shanghai-Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.
- The Fund relies on other parties to fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.

COMPARATIVE TABLES

AS AT 30 SEPTEMBER 2020

	Share Class – F Accumulation		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	15.89	14.40	10.79
Return before operating charges	7.63	1.57	3.68
Operating charges	(0.10)	(0.08)	(0.07)
Return after operating charges	7.53	1.49	3.61
Distributions	–	–	(0.01)
Retained distributions on accumulation shares	–	–	0.01
Closing net asset value per share	23.42	15.89	14.40
After direct transaction costs of:	–	–	0.01
Performance (i)			
Return after operating charges	47.39%	10.35%	33.46%
Other information			
Closing net asset value	723,804,412	280,271,574	385,349,382
Closing number of shares	30,907,346	17,640,453	26,764,882
Operating Charges (ii)	0.55%	0.55%	0.55%
Direct transaction costs	0.02%	0.03%	0.09%
Prices			
Highest share price	24.25	17.22	14.55
Lowest share price	13.58	12.01	10.90

	Share Class F Hedge – Accumulation (iv)	
	30 Sep 2020 (£)	30 Sep 2019 (£)
Change in net assets per share (iii)		
Opening net asset value per share	10.00	–
Return before operating charges	4.50	–
Operating charges	(0.06)	–
Return after operating charges	4.44	–
Distributions	–	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	14.44	–
After direct transaction costs of:	–	–
Performance (i)		
Return after operating charges	44.40%	–
Other information		
Closing net asset value	72,200,626	–
Closing number of shares	5,001,670	–
Operating Charges (ii)	0.55%	–
Direct transaction costs	0.02%	–
Prices		
Highest share price	15.55	–
Lowest share price	7.88	–

US Advantage Fund

Fund Review (continued)

	Share Class – I Accumulation		
	30 Sep 2020	30 Sep 2019	30 Sep 2018
Change in net assets per share (iii)			
Opening net asset value per share	17.08	15.52	11.67
Return before operating charges	8.20	1.70	3.97
Operating charges	(0.18)	(0.14)	(0.12)
Return after operating charges	8.02	1.56	3.85
Distributions	–	–	–
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	25.10	17.08	15.52
After direct transaction costs of:	–	–	0.01
Performance (i)			
Return after operating charges	46.97%	10.05%	32.99%
Other information			
Closing net asset value	143,261,911	20,431,289	10,010,785
Closing number of shares	5,708,501	1,196,317	644,896
Operating Charges (ii)	0.86%	0.85%	0.85%
Direct transaction costs	0.02%	0.03%	0.09%
Prices			
Highest share price	26.00	18.52	15.69
Lowest share price	14.58	12.94	11.79

	Share Class I Hedge – Accumulation (iv)	
	30 Sep 2020	30 Sep 2019
Change in net assets per share (iii)		
Opening net asset value per share	10.00	–
Return before operating charges	5.29	–
Operating charges	(0.09)	–
Return after operating charges	5.20	–
Distributions	–	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	15.20	–
After direct transaction costs of:	–	–
Performance (i)		
Return after operating charges	52.00%	–
Other information		
Closing net asset value	22,958,063	–
Closing number of shares	1,510,765	–
Operating Charges (ii)	0.85%	–
Direct transaction costs	0.02%	–
Prices		
Highest share price	16.37	–
Lowest share price	8.10	–

- (i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document, the 2021 Assessment of Value or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.
- (ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.
- (iii) Valued at bid basis.
- (iv) Share Classes F Hedge Accumulation and I Hedge Accumulation were launched on 29 November 2019.

The opening NAV per share of the F Hedge and I Hedge Classes for 30 September 2020 is the price as on the launch date of 29 November 2019.

PERFORMANCE REVIEW

For the year ending 30 September 2020, the Fund's I Accumulation class shares outperformed the benchmark S&P 500 Index by 37.22%, returning 46.98% (net of fees in sterling) versus 9.76% for the Index.

The long-term investment horizon and conviction-weighted investment approach embraced by the team since 1998 can result in periods of performance deviation from the benchmark and peers. The Fund's outperformance in the reporting period was driven by favourable stock selection and sector allocation.

Stock selection in the information technology sector was the largest positive contributor, by far, to the Fund's relative outperformance in the period. An overweight allocation in the sector also helped relative performance, to a lesser extent. Adding to relative gains was advantageous stock selection in health care, consumer discretionary, communication services, industrials and financials. The Fund's relative performance also benefited from its minimal exposure to weaker performing sectors, including less exposure in energy, financials and consumer staples, and no exposure to the real estate and utilities sectors.

Given the Fund's strong outperformance in this period, there were few meaningful detractors from relative performance. An underweight allocation to the industrials sector had a modestly negative impact, as did stock selection in consumer staples.

MARKET REVIEW

U.S. stocks posted a positive return despite enduring an economic shock and bear market correction caused by a global pandemic. Stock prices fell sharply in February and March 2020 as the measures to contain the spread of COVID-19 stifled economic activity, disrupted supply chains and caused significant job losses. The U.S. government and Federal Reserve intervened with aggressive emergency relief, which helped stabilize financial markets. By May, progress toward reducing the coronavirus infection rate allowed the U.S. economy to gradually reopen, leading to a quicker-than-expected rebound in many facets of the economy over the subsequent months. Additionally, COVID-19 vaccine and treatment research was received positively, although the timeline was still uncertain. After recouping all the losses since the February-March 2020 sell-off, the market retreated in September. Investors were unnerved by evidence that the economic recovery was losing momentum amid still high unemployment rates, expiring government aid and an uptick in virus infection rates. Political uncertainty also contributed to increased market volatility due to concerns about a contested presidential election. The S&P 500 Index rose 9.76% in the one-year period, led by the information technology, consumer discretionary and health care sectors. Energy, financials and real estate were the weakest performing sectors.

US Advantage Fund

Fund Review (continued)

PORTFOLIO ACTIVITY

As of the end of the reporting period, the Fund's largest sector allocations were information technology, communication services and health care. The Fund had no exposure to the real estate and utilities sectors.

STRATEGY & OUTLOOK

The investment team is looking for unique companies whose market value can increase significantly for underlying fundamental reasons. We find these companies through intense fundamental research. Our emphasis is on secular growth, and as a result short-term market events are not as meaningful in the stock selection process. It is our goal to hold a portfolio of high-quality companies we believe are well positioned over the long term, regardless of the market environment.

As a team, we believe having a market outlook can be an anchor. Our focus is on assessing a company over a five-year horizon.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

US Advantage Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2020

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
Basic Materials – 2.61%					
	153,821	Ecolab	23,650,005	2.46	
	15,782	Royal Gold	1,475,323	0.15	
			25,125,328	2.61	5.44
Consumer Discretionary – 18.59%					
	216,835	Activision Blizzard	13,646,278	1.42	
	25,445	Amazon.com	62,302,496	6.47	
	329,166	Chewy	14,100,328	1.47	
	86,496	Costco Wholesale	23,734,909	2.47	
	34,747	Lululemon Athletica	8,757,621	0.91	
	250,489	Spotify Technology	47,302,528	4.92	
	69,837	Take-Two Interactive Software	8,943,703	0.93	
			178,787,863	18.59	31.54*
Energy – 0.16%					
	4,407	Texas Pacific Land Trust	1,535,143	0.16	
			1,535,143	0.16	-
Financials – 1.46%					
	86,174	Intercontinental Exchange	6,656,195	0.69	
	26,711	S&P Global	7,430,577	0.77	
			14,086,772	1.46	4.22*
Health Care – 14.88%					
	56,639	Danaher	9,310,286	0.97	
	87,396	Intuitive Surgical	47,192,114	4.90	
	419,575	Royalty Pharma	13,729,161	1.43	
	222,873	Veeva Systems	48,805,386	5.07	
	190,416	Zoetis	24,109,703	2.51	
			143,146,650	14.88	13.57*
Industrials – 15.04%					
	14,077	Adyen	20,162,071	2.10	
	157,686	Ball	10,120,407	1.05	
	285,645	HEICO	19,741,938	2.05	
	80,793	Martin Marietta Materials	14,546,196	1.51	
	27,366	Sherwin-Williams	15,049,000	1.56	
	507,431	Square	65,166,248	6.77	
			144,785,860	15.04	8.91*
Technology – 43.29%					
	76,600	Autodesk	13,897,528	1.44	
	133,217	Coupa Software	28,486,053	2.96	
	158,792	Facebook	32,380,807	3.36	
	93,091	IAC/InterActiveCorp	8,629,729	0.90	
	107,283	Match	9,122,708	0.95	
	287,193	Okta	47,736,791	4.96	
	39,464	Roper Technologies	12,342,777	1.28	
	95,300	ServiceNow	36,223,265	3.76	
	76,014	Shopify	60,551,719	6.29	
	867,953	Slack Technologies	18,234,951	1.90	
	244,607	Twilio	47,423,141	4.93	
	1,283,301	Twitter	44,741,756	4.65	
	159,153	Workday	27,376,907	2.85	
	81,155	Zoom Video Communications	29,410,570	3.06	
			416,558,702	43.29	33.83*

US Advantage Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2020

Forward Currency Exchange Contracts – Hedged Share Classes – 0.08%

Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
EUR	87	GBP	79	30/10/2020	State Street Bank	-	-	
GBP	71	CAD	119	30/10/2020	State Street Bank	1	-	
GBP	11	CHF	13	30/10/2020	State Street Bank	-	-	
GBP	2,089,823	EUR	2,269,931	30/10/2020	State Street Bank	17,470	-	
GBP	89,420,123	USD	113,804,469	30/10/2020	State Street Bank	748,643	0.08	
USD	4,453	GBP	3,466	30/10/2020	State Street Bank	4	-	
Unrealised gain on Forward Currency Exchange Contracts – Hedged Share Classes						766,118	0.08	
EUR	1,284	GBP	1,175	30/10/2020	State Street Bank	(3)	-	
GBP	4,559	EUR	5,013	30/10/2020	State Street Bank	(18)	-	
GBP	2,461,023	USD	3,162,290	30/10/2020	State Street Bank	(2,896)	-	
USD	64,285	GBP	50,317	30/10/2020	State Street Bank	(229)	-	
Unrealised loss on Forward Currency Exchange Contracts – Hedged Share Classes						(3,146)	-	-
Net Unrealised gain on Forward Currency Exchange Contracts – Hedged Share Classes						762,972	0.08	-

Options – 0.13%

Counterparty	Currency	Quantity	Security Description			
BNP Paribas SA	USD	192,732,301	Currency Option USD Call CNH Put 7.9945% September 2021	591,301	0.06	
NatWest Markets Plc	USD	208,770,420	Currency Option USD Call CNH Put 8.06% July 2021	484,487	0.05	
NatWest Markets Plc	USD	136,777,229	Currency Option USD Call CNH Put 8.4845% May 2021	126,945	0.01	
NatWest Markets Plc	USD	95,362,611	Currency Option USD Call CNH Put 7.7455% January 2021	54,397	0.01	
				1,257,130	0.13	0.23
Portfolio of investments				926,046,420	96.24	97.74
Net other assets				36,178,592	3.76	2.26
Net assets				962,225,012	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

* Since the previous report the classification headings have been updated by data providers. Comparative figures have been updated where appropriate.

US Advantage Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2019

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2020 was as follows:

Options Contracts

Counterparty	Notional value (£)	Value of exposure (£)
NatWest Markets Plc	440,910,261	665,829
BNP Paribas SA	192,732,301	591,301
Total	633,642,562	1,257,130

Forward Currency Exchange Contracts

The exposure obtained from the Forward Currency Exchange Contracts and identity of counterparties as at 30 September 2020 are presented in the Portfolio Statement.

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2019 was as follows:

Options Contracts

Counterparty	Notional value (£)	Value of exposure (£)
NatWest Markets Plc	231,477,491	536,619
BNP Paribas SA	84,089,170	169,327
Total	315,566,661	705,946

US Advantage Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Income					
Net capital gains	4		241,769,917		24,108,428
Revenue	5	1,155,986		2,173,570	
Expenses	6	(2,951,263)		(1,864,034)	
Interest payable and similar charges		(3,886)		(7,748)	
Net (expense)/revenue before taxation		(1,799,163)		301,788	
Taxation	7	(161,528)		(287,409)	
Net (expense)/revenue after taxation			(1,960,691)		14,379
Total return before distributions			239,809,226		24,122,807
Equalisation	8		(772,573)		(85,410)
Change in net assets attributable to shareholders from investment activities			239,036,653		24,037,397

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2020

		30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Opening net assets attributable to shareholders					
Amounts receivable on issue of shares		541,098,856	300,702,863	108,217,554	395,360,167
Amounts payable on cancellation of shares		(118,948,409)		(226,986,811)	
			422,150,447		(118,769,257)
Dilution adjustment charged			335,049		74,556
Change in net assets attributable to shareholders from investment activities			239,036,653		24,037,397
Closing net assets attributable to shareholders			962,225,012		300,702,863

Balance Sheet

AS AT 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Assets					
Investment assets			926,049,566		293,914,300
Debtors	9	3,144,700		437,518	
Cash and bank balances	10	34,690,597		8,704,533	
Total other assets			37,835,297		9,142,051
Total assets			963,884,863		303,056,351
Liabilities					
Investment liabilities			3,146		-
Creditors	11	1,656,705		2,084,903	
Bank overdrafts		-		268,585	
Total other liabilities			1,656,705		2,353,488
Total liabilities			1,659,851		2,353,488
Net assets attributable to shareholders			962,225,012		300,702,863

The accompanying notes are an integral part of these Financial Statements.

US Advantage Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the “SORP”) issued by the Investment Association in May 2014 and amended in June 2017 and the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

(b) Revenue

Dividends on equities and preference stock are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis. Amounts recognised as revenue will form part of the Company’s distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

Special dividends are treated as either capital or revenue depending on the facts of each particular case.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accruals basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the period is shown in notes 4 and 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year.

UK dividend revenue is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the taxation note 7.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference

will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12.00pm on the last business day of the accounting year, 30 September 2020.

The value of derivative contracts is calculated with reference to the price/value of the underlying assets and other relevant factors such as interest rates and volatility.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting year.

(g) Treatment for derivatives

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and Funds’ objectives for investment in derivative instruments. Where positions are held to protect capital, the returns are treated as capital. Where positions are to generate revenue, the returns are treated as revenue. Where positions generate total returns, these returns are apportioned between capital and revenue to properly reflect the nature of the transaction.

2. DISTRIBUTION POLICY

The revenue from the Fund’s investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the proportion of the Fund’s assets attributable to each share class, on the day the revenue is earned or expense is suffered. Income equalisation and the annual management charge, are specific to each share class.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner.

Derivative instruments held within the Fund will be accounted for in accordance with the SORP. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk and (d) liquidity risk and (e) use of derivatives and other investment techniques.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the year.

(a) Market price risk

The Fund's investment portfolio is exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than Sterling, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager ('IM') manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2020, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £46,302,321 (2019: £14,695,715).

(b) Foreign currency risk and currency exposure

Some of the Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that Fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the Fund.

As at 30 September 2020, if the value of Sterling increased or decreased by 1%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £8,331,600 (2019: £2,933,844).

The Fund's currency exposure as at 30 September 2020 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Canadian Dollar	-	687	687
Euro	20,162,071	(2,074,475)	18,087,596
Swiss Franc	-	124	124
US Dollar	903,864,247	(88,792,675)	815,071,572
Total	924,026,318	(90,866,339)	833,159,979

The Fund's currency exposure as at 30 September 2019 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Canadian Dollar	798	12,222,893	12,223,691
Euro	587	10,126,585	10,127,172
Swiss Franc	130	-	130
US Dollar	174,520	270,858,877	271,033,397
Total	176,035	293,208,355	293,384,390

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered to be a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depository.

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Non-interest cashflows (i.e. dividend income) may fluctuate depending on the particular decisions made by each issuer.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2020 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2020			
Canadian Dollar	757	(70)	687
Euro	1,204	18,086,414	18,087,618
Pound Sterling	33,709,950	97,011,788	130,721,738
Swiss Franc	135	(11)	124
US Dollar	978,551	814,096,145	815,074,696
Total	34,690,597	929,194,266	963,884,863
2019			
Canadian Dollar	798	12,222,893	12,223,691
Euro	587	10,126,585	10,127,172
Pound Sterling	8,703,018	353,730	9,056,748
Swiss Franc	130	-	130
US Dollar	-	271,648,610	271,648,610
Total	8,704,533	294,351,818	303,056,351

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2020			
Euro	-	22	22
Pound Sterling	-	1,656,705	1,656,705
US Dollar	-	3,124	3,124
Total	-	1,659,851	1,659,851
2019			
Pound Sterling	-	2,009,145	2,009,145
US Dollar	268,585	75,758	344,343
Total	268,585	2,084,903	2,353,488

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied by the Depository, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2020 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of the Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

4. NET CAPITAL GAINS

	30 Sep 20 (£)	30 Sep 19 (£)
Gains on non-derivative securities	242,304,800	25,377,614
Gains/(losses) on derivative contracts	1,332	(797,201)
Currency losses	(534,255)	(450,469)
Transaction charges	(2,395)	(27,316)
ACD's reimbursement to capital	435	5,800
Net capital gains	241,769,917	24,108,428

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

5. REVENUE

	30 Sep 20 (£)	30 Sep 19 (£)
Overseas dividends	1,101,721	2,161,346
UK dividends	47,651	–
Bank interest	6,614	12,224
Total revenue	1,155,986	2,173,570

6. EXPENSES

	30 Sep 20 (£)	30 Sep 19 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	2,186,393	1,382,066
Administration charge	1,267,455	838,417
Less ACD's reimbursement to revenue	(599,750)	(499,848)
	2,854,098	1,720,635
Other expenses:		
Financial Conduct Authority fee	483	484
Audit fee	11,729	8,254
Depository's fees	65,790	62,378
Safe custody fees	9,587	49,797
Professional fees	11,023	11,047
Printing & production costs	(1,516)	11,341
Registration fees	69	98
	97,165	143,399
Total expenses	2,951,263	1,864,034

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 20 (£)	30 Sep 19 (£)
Overseas tax	161,528	287,409
Total taxation	161,528	287,409

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue before taxation	(1,799,163)	301,788
Corporation tax of 20% (2019: 20%)	(359,833)	60,358
Effects of:		
Revenue not subject to corporation tax	(229,608)	(434,074)
Movement in excess expenses	589,438	373,726
Overseas tax	161,528	287,409
Rebated capital expenses deductible for tax purposes	3	–
Movement in excess management expenses due to prior year adjustment	–	(10)
Total tax for the year	161,528	287,409

(c) Provision for deferred tax

At 30 September 2020 the Fund had surplus operating expenses of £5,557,083 (2019: £2,609,894). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,111,417 (2019: £521,979) has not been recognised.

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 20 (£)	30 Sep 19 (£)
Final	–	–
Add: Amounts deducted on cancellation of shares	(215,212)	70,615
Less: Amounts received on issue of shares	987,785	14,795
Equalisation for the year	772,573	85,410

Distributions are represented by:

	30 Sep 20 (£)	30 Sep 19 (£)
Net (expense)/revenue after taxation	(1,960,691)	14,379
Tax relief on expenses offset against capital	3	–
Share classes I and F shortfall funded from capital	2,733,261	71,031
Equalisation for the year	772,573	85,410

Details of the distribution per share are set out in the Distribution Tables on page 73.

9. DEBTORS

	30 Sep 20 (£)	30 Sep 19 (£)
Accrued revenue	53,483	83,787
Amounts receivable for issue of shares	2,862,781	270,455
Reimbursement of expenses receivable from ACD	228,436	83,276
	3,144,700	437,518

10. CASH AND BANK BALANCES

	30 Sep 20 (£)	30 Sep 19 (£)
Cash and bank balances	34,690,597	8,704,533
	34,690,597	8,704,533

11. CREDITORS

	30 Sep 20 (£)	30 Sep 19 (£)
Purchases awaiting settlement	–	75,758
Accrued expenses	1,614,723	256,925
Amounts payable to ACD	–	237,087
Amount payable for cancellation of shares	41,982	1,515,133
	1,656,705	2,084,903

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and note 8. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting year are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the year in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in notes 4 and 6.

One investor (Fundsettle EOC Nominees Ltd) held 31% (2019: no material shareholder) of the Fund at the year end date and was deemed to be a material shareholder.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2019: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class F	0.40%
Class I	0.70%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on pages 60 to 61. The distribution per share class is given in the Distribution Tables on page 73.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 20 (£)	30 Sep 19 (£)
Equities	663,725,670	325,619,653	275,320,317	431,007,277
Trades in the year before transaction costs	663,725,670	325,619,653	275,320,317	431,007,277
Commissions				
Equities	61,009	33,170	(38,751)	(40,187)
Total Commissions	61,009	33,170	(38,751)	(40,187)
Taxes				
Equities	2,584	6,836	(5,505)	(6,013)
Total Taxes	2,584	6,836	(5,505)	(6,013)
Total costs	63,593	40,006	(44,256)	(46,200)
Total net trades in the year after transaction costs	663,789,263	325,659,659	275,276,061	430,961,077

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.05% (2019: 0.06%).

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 20 %	30 Sep 19 %	30 Sep 20 %	30 Sep 19 %
Commissions				
Equities	0.009	0.010	(0.014)	(0.009)
Taxes				
Equities	0.000	0.002	0.002	0.001

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 20 %	30 Sep 19 %
Commissions	0.019	0.022
Taxes	0.002	0.004
Total	0.021	0.026

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2020

	F Accumulation	F Hedge Accumulation	I Accumulation	I Hedge Accumulation
Opening shares in issue	17,640,453	–	1,196,317	–
Creations during the year	17,368,699	5,257,745	5,045,749	3,683,077
Cancellations during the year	(4,101,806)	(256,075)	(533,565)	(2,172,312)
Closing shares in issue	30,907,346	5,001,670	5,708,501	1,510,765

17. FAIR VALUE HIERARCHY

Valuation technique	Assets 30 Sep 20 (£)	Liabilities 30 Sep 20 (£)	Assets 30 Sep 19 (£)	Liabilities 30 Sep 19 (£)
Quoted prices for identical instruments in active markets [^]	924,026,318	–	293,208,354	–
Valuation techniques using observable market data ^{^^}	2,023,248	(3,146)	705,946	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	926,049,566	(3,146)	293,914,300	–

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publicly traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

18. EPIDEMICS/PANDEMICS/OUTBREAKS RISK

The performance of the Shares depends on the performance of the investments of the Funds, which could also be adversely affected by the effects of epidemics, pandemics or outbreaks of communicable diseases. In response to intensifying efforts to contain epidemics, pandemics or outbreaks of communicable diseases, governments around the world may take a number of actions, such as prohibiting residents' freedom of movement, encouraging or ordering employees to work remotely from home, and banning public activities and events, among others. Any prolonged disruption of businesses could negatively impact financial conditions. The performance of the Shares could be adversely affected to the extent that any of these epidemics, pandemics or outbreaks harms the economy in general.

19. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

US Advantage Fund

Distribution Table

FOR THE YEAR ENDED 30 SEPTEMBER 2020

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2019

Group 2: shares purchased between 1 October 2019 to 30 September 2020

	Revenue (p)	Equalisation (p)	Distribution accumulated 30 Nov 2020 (p)	Distribution accumulated 30 Nov 2019 (p)
Share Class F – Accumulation				
Group 1	0.0000	–	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
Share Class F Hedge – Accumulation				
Group 1	0.0000	–	0.0000	–
Group 2	0.0000	0.0000	0.0000	–
Share Class I – Accumulation				
Group 1	0.0000	–	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
Share Class I Hedge – Accumulation				
Group 1	0.0000	–	0.0000	–
Group 2	0.0000	0.0000	0.0000	–

EQUALISATION

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

Share Classes F Hedge Accumulation and I Hedge Accumulation were launched on 29 November 2019.

Sterling Corporate Bond Fund

as at 30 September 2020

Fund Review

INVESTMENT OBJECTIVE

The Fund aims to provide income while also growing your investment by outperforming, net of fees, the ICE Bank of America Merrill Lynch Sterling Non-Gilt Index over 1 to 3 years.

RISK AND REWARD PROFILE

Lower risk Higher risk

←—————→

Potentially lower rewards Potentially higher rewards

1	2	3	4	5	6	7
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The Fund has changed the risk level category from 3 to 4 during the financial year.

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in fixed interest securities and the fund's simulated and/or realised return has experienced medium rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the Fund invests in a bond with a lower credit rating.
- The Fund relies on other parties to fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.

COMPARATIVE TABLES

AS AT 30 SEPTEMBER 2020

	Share Class I – Accumulation		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	28.47	26.21	26.12
Return before operating charges	1.15	2.36	0.19
Operating charges	(0.12)	(0.10)	(0.10)
Return after operating charges	1.03	2.26	0.09
Distributions	(0.67)	(0.74)	(0.69)
Retained distributions on accumulation shares	0.67	0.74	0.69
Closing net asset value per share	29.50	28.47	26.21
After direct transaction costs of:	–	–	–
Performance (i)			
Return after operating charges	3.62%	8.63%	0.34%
Other information			
Closing net asset value	15,630,161	9,657,309	5,934,465
Closing number of shares	529,915	339,187	226,414
Operating Charges (ii)	0.40%	0.37%	0.37%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	29.78	28.67	26.85
Lowest share price	25.41	25.82	26.17

	Share Class – I Income		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Change in net assets per share (iii)			
Opening net asset value per share	16.13	15.26	15.61
Return before operating charges	0.62	1.36	0.12
Operating charges	(0.06)	(0.06)	(0.06)
Return after operating charges	0.56	1.30	0.06
Distributions	(0.38)	(0.43)	(0.41)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	16.31	16.13	15.26
After direct transaction costs of:	–	–	–
Performance (i)			
Return after operating charges	3.49%	8.56%	0.39%
Other information			
Closing net asset value	76,226,853	75,237,688	50,713,390
Closing number of shares	4,672,464	4,663,470	3,324,155
Operating Charges (ii)	0.37%	0.37%	0.37%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	16.66	16.46	16.05
Lowest share price	14.40	15.03	15.45

Sterling Corporate Bond Fund

Fund Review (continued)

Change in net assets per share (iii)	Share Class – F Accumulation		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Opening net asset value per share	1.33	1.22	1.22
Return before operating charges	0.05	0.11	–
Operating charges	–	–	–
Return after operating charges	0.05	0.11	0.00
Distributions	(0.03)	(0.04)	(0.03)
Retained distributions on accumulation shares	0.03	0.04	0.03
Closing net asset value per share	1.38	1.33	1.22
After direct transaction costs of:	–	–	–
Performance (i)			
Return after operating charges	3.76%	8.79%	0.00%
Other information			
Closing net asset value	81,958,568	72,775,802	59,217,355
Closing number of shares	59,307,482	54,648,887	48,376,727
Operating Charges (ii)	0.22%	0.22%	0.22%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	1.39	1.34	1.25
Lowest share price	1.19	1.21	1.22

Change in net assets per share (iii)	Share Class F – Income		
	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2018 (£)
Opening net asset value per share	1.15	1.09	1.11
Return before operating charges	0.04	0.09	0.01
Operating charges	–	–	–
Return after operating charges	0.04	0.09	0.01
Distributions	(0.03)	(0.03)	(0.03)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	1.16	1.15	1.09
After direct transaction costs of:	–	–	–
Performance (i)			
Return after operating charges	3.37%	8.64%	0.96%
Other information			
Closing net asset value	105,967,426	123,779,377	104,145,302
Closing number of shares	91,192,993	107,789,388	95,861,248
Operating Charges (ii)	0.22%	0.22%	0.22%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	1.18	1.16	1.14
Lowest share price	1.02	1.06	1.09

(i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document, the 2021 Assessment of Value or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.

(ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.

(iii) Valued at bid basis.

(iv) Share Classes A were converted to Share Classes I on 5 November 2019.

PERFORMANCE REVIEW

For the year ending 30 September 2020, the Fund's I Accumulation class shares underperformed the benchmark Bank of America-Merrill Lynch Sterling Non-Gilt All Stocks Index, by 0.15% returning 3.72% (net of fees in sterling) versus 3.87% for the Index.

The underperformance of the Fund was driven primarily by the underweight positioning to duration, which was negative given the rally in gilts caused by accommodative central bank policy. The overweight exposure to credit was positive overall.

Exposure to government-related bonds was the largest detractor. Financials (where the Fund has the most overweight allocation) contributed positively, particularly the exposure to subordinated banking and insurance names. The overall allocation within industrials was also positive, primarily driven by energy and capital goods. Elsewhere, the off-benchmark allocation to high yield names contributed positively.

MARKET REVIEW

Market sentiment was positive during the last quarter of 2019, supported by easing fears around a potential U.S.-China trade war and accommodative central banks. However, much of the gains made at the beginning of the period were erased in March, which was a historic month across markets as the coronavirus continued its rapid spread around the globe. Risk assets then rallied in April through August as many countries within the developed markets continued on the path of economic reopening and economic data was better than expected. In September, however, markets pivoted to a "risk-off" stance and saw several bouts of volatility caused by the upcoming U.S. presidential election, coronavirus and other geopolitical events.

The Bank of England cut rates by an additional 15 basis points (bps) to 0.1% and boosted quantitative easing by £200 billion to £645 billion, whilst the government unveiled a fiscal package close to 4%-5% of gross domestic product.

Sterling investment grade corporate credit spreads were 1 bp wider during the period, closing at +152 bps. Industrials were 6 bps wider, underperforming financials which closed flat. Bonds lower on the risk spectrum (BBB rated) underperformed higher-rated (A, AA) bonds. Within rates, gilt yields were lower across the curve, with 10-year yields reaching all-time lows (26 bps lower to close at 0.23%), given accommodative monetary policy.

Sterling Corporate Bond Fund

Fund Review (continued)

PORTFOLIO ACTIVITY

Throughout the end of 2019, the Fund's overall spread duration was reduced (particularly the overweight to financials), as profit was taken gradually on the back of valuations becoming richer.

Overall, we rotated a number of credit positions taking advantage of the new issue markets that offered a discount to secondary valuations. In March, markets were offering value, hence we increased our credit exposure gradually, taking advantage of the new issue supply discount in high-quality issuers.

In the second half of 2020, we reduced the Fund's overall overweight to credit in spread duration terms (but still remain long of credit risk), reflective of the sharp move tighter in valuations toward the long-term average.

The Fund remains underweight to government-related securities, securitised bonds and covered bonds, driven by limited spread pick-up and the existence of more attractive investment opportunities in other segments of the credit market. The underweight duration position was maintained during the period. The Fund is positioned to be overweight credit in spread duration terms overall, with most of the positioning resulting from the overweight allocation in some of the higher-beta sectors (such as financials).

STRATEGY & OUTLOOK

Markets are being dominated by improving economic data as economies reopen post-coronavirus shutdown. The key element will be the sustainability of positive sentiment (which will remain subject to monetary and fiscal support), following the initial bounce. Over the next quarter, we believe the focus on vaccine developments, a second wave of COVID-19 infections and future central bank policy will be the notable themes.

The key risks going forward are, fundamentally, that the economy does not rebound or political risk increases and, technically, that demand remains strong, supporting current valuations. In the short term, we continue to see risks of volatility, but we believe any downside is limited by expectations that a vaccine will be developed in the next six months.

Looking forward, we see the September correction as a healthy rotation of risk during a period of heavy supply. Our base case reflects the consensus view that coronavirus is transitory and monetary policy is credit-risk friendly, likely driving spreads tighter in the medium term and close to the long-run average, offering investors carry but limited capital gain.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Sterling Corporate Bond Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2019

	Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
Corporate Bonds – 88.81%					
	1,000,000	Abertis Infraestructuras 3.375% 27/11/2026	1,058,940	0.38	
	2,000,000	ABN AMRO Bank 1.375% 16/01/2025	2,056,400	0.73	
	450,000	Affordable Housing Finance 3.8% 20/05/2044	671,994	0.24	
	725,000	Affordable Housing Finance 2.893% 11/08/2045	971,616	0.35	
	1,000,000	Anglian Water Services Financing 4.5% 22/02/2026	1,102,920	0.39	
	1,000,000	Anglian Water Services Financing 2.625% 15/06/2027	1,010,320	0.36	
	2,500,000	Anheuser-Busch 2.85% 25/05/2037	2,725,475	0.97	
	1,000,000	Annington Funding 2.646% 12/07/2025	1,068,060	0.38	
	750,000	Annington Funding 3.935% 12/07/2047	933,592	0.33	
	1,000,000	Apple 3.6% 31/07/2042	1,462,510	0.52	
	2,000,000	APT Pipelines 3.125% 18/07/2031	2,214,920	0.79	
EUR1350000		Ardagh Packaging Finance 2.125% 15/08/2026	1,192,737	0.43	
400,000		Ardagh Packaging Finance 4.75% 15/07/2027	400,196	0.14	
EUR700000		Ashland Services 2% 30/01/2028	606,606	0.22	
EUR350000		Assicurazioni Generali 2.429% 14/07/2031	321,975	0.12	
1,500,000		AT&T 2.9% 04/12/2026	1,643,190	0.59	
500,000		AT&T 4.375% 14/09/2029	603,795	0.22	
2,500,000		AT&T 5.2% 18/11/2033	3,355,350	1.20	
250,000		Aviva 6.125% 14/11/2036	301,435	0.11	
1,000,000		Aviva 4.375% 12/09/2049	1,109,190	0.40	
300,000		Aviva 5.125% 04/06/2050	345,261	0.12	
600,000		AXA 7.125% 15/12/2020	607,554	0.22	
2,000,000		AXA 5.625% 16/01/2054	2,471,000	0.88	
1,500,000		Banco Santander 1.375% 31/07/2024	1,515,345	0.54	
EUR1500000		Banco Santander 3.125% 19/01/2027	1,515,656	0.54	
EUR1000000		Banco Santander 2.125% 08/02/2028	958,129	0.34	
1,500,000		Bank of America 4.25% 10/12/2026	1,782,315	0.64	
800,000		Bank of Ireland 3.125% 19/09/2027	799,752	0.29	
1,000,000		Banque Federative du Credit Mutuel 2.25% 18/12/2023	1,053,810	0.38	
1,000,000		Banque Federative du Credit Mutuel 1.75% 19/12/2024	1,049,370	0.38	
1,000,000		BAT Capital 2.125% 15/08/2025	1,034,310	0.37	
1,500,000		BAT International Finance 2.25% 26/06/2028	1,505,910	0.54	
900,000		BAT International Finance 4% 23/11/2055	984,006	0.35	
1,500,000		Berkshire Hathaway Finance 2.375% 19/06/2039	1,698,120	0.61	
1,500,000		BHP Billiton Finance 6.5% 22/10/2077	1,636,155	0.58	
1,000,000		BMW International Investment 1.25% 11/07/2022	1,012,470	0.36	
2,000,000		BMW International Investment 1.375% 01/10/2024	2,044,640	0.73	
1,500,000		BNP Paribas 3.375% 23/01/2026	1,648,125	0.59	
3,000,000		BNP Paribas 1.875% 14/12/2027	3,062,160	1.09	
2,000,000		BP Capital Markets 2.274% 03/07/2026	2,162,260	0.77	
2,000,000		BPCE 5.25% 16/04/2029	2,514,840	0.90	
1,000,000		BUPA Finance 5% 08/12/2026	1,137,880	0.41	
1,100,000		BUPA Finance 4.125% 14/06/2035	1,163,591	0.42	
1,500,000		Cadent Finance 2.625% 22/09/2038	1,640,565	0.59	
EUR2500000		CaixaBank 2.25% 17/04/2030	2,303,610	0.82	
50,000		Canary Wharf Finance II 5.952% 22/10/2037	71,571	0.03	
1,500,000		China Development Bank 1.25% 21/01/2023	1,508,625	0.54	
1,000,000		Citigroup 2.75% 24/01/2024	1,056,980	0.38	
1,000,000		Citigroup 1.75% 23/10/2026	1,029,360	0.37	
500,000		Citigroup 7.375% 01/09/2039	929,635	0.33	
1,000,000		CK Hutchison Group Telecom Finance 2% 17/10/2027	1,031,000	0.37	
EUR550000		CNAC HK Finbridge 1.75% 14/06/2022	505,123	0.18	
1,000,000		CNP Assurances 7.375% 30/09/2041	1,057,080	0.38	
1,000,000		Comcast 1.875% 20/02/2036	1,034,420	0.37	
EUR1000000		Commonwealth Bank of Australia 2% 22/04/2027	928,097	0.33	
1,000,000		Cooperatieve Rabobank 1.25% 14/01/2025	1,021,980	0.37	
1,000,000		Cooperatieve Rabobank 5.25% 14/09/2027	1,245,580	0.45	
2,500,000		Coventry Building Society 1.5% 23/01/2023	2,533,250	0.91	
2,000,000		CPUK Finance 3.69% 28/02/2047	2,037,840	0.73	
EUR1300000		Credit Agricole Assurances 2.625% 29/01/2048	1,220,655	0.44	
1,000,000		Daimler International Finance 1.25% 05/09/2022	1,002,260	0.36	
2,300,000		Daimler International Finance 1.625% 11/11/2024	2,329,164	0.83	
1,300,000		Danske Bank 2.25% 14/01/2028	1,318,148	0.47	
1,000,000		Deutsche Bahn Finance 1.875% 13/02/2026	1,066,700	0.38	
1,000,000		Deutsche Bank 1.75% 16/12/2021	1,000,800	0.36	
2,000,000		Deutsche Bank 2.625% 16/12/2024	2,026,740	0.72	
400,000		Direct Line Insurance 4% 05/06/2032	441,032	0.16	

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2019

	Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
Corporate Bonds – 88.81% (continued)					
	2,000,000	Discovery Communications 2.5% 20/09/2024	2,071,920	0.74	
	2,500,000	DP World 4.25% 25/09/2030	2,749,025	0.98	
	1,000,000	DWR Cymru Financing 1.625% 31/03/2026	1,009,580	0.36	
	2,000,000	DWR Cymru Financing 1.375% 31/03/2033	2,034,980	0.73	
	1,400,000	DXC Technology 2.75% 15/01/2025	1,416,884	0.51	
	1,000,000	Eastern Power Networks 2.125% 25/11/2033	1,082,810	0.39	
	EUR700000	EDP - Energias de Portugal 1.7% 20/07/2080	613,250	0.22	
	1,000,000	EDP Finance 8.625% 04/01/2024	1,231,840	0.44	
	500,000	Electricite de France 6.125% 02/06/2034	743,635	0.27	
	200,000	Electricite de France 6% 23/01/2114	338,066	0.12	
	USD1250000	Enel 8.75% 24/09/2073	1,129,992	0.40	
	500,000	Enel Finance 5.75% 14/09/2040	769,440	0.28	
	1,000,000	Euroclear Bank 1.25% 30/09/2024	1,033,560	0.37	
	1,250,000	Eversholt Funding 3.529% 07/08/2042	1,395,575	0.50	
	1,250,000	Experian Finance 0.739% 29/10/2025	1,251,375	0.45	
	1,000,000	Experian Finance 3.25% 07/04/2032	1,179,450	0.42	
	1,500,000	FCA Capital Ireland 1.625% 29/09/2021	1,500,075	0.54	
	1,000,000	FCE Bank 2.727% 03/06/2022	982,890	0.35	
	500,000	Fidelity National Information Services 3.36% 21/05/2031	581,875	0.21	
	1,950,000	First Abu Dhabi Bank 1.375% 19/02/2023	1,965,873	0.70	
	1,500,000	Ford Motor Credit 4.535% 06/03/2025	1,489,050	0.53	
	900,000	Friends Life 8.25% 21/04/2022	997,884	0.36	
	2,200,000	Gatwick Funding 3.125% 28/09/2041	2,082,344	0.74	
	900,000	GE Capital UK Funding Unlimited 4.125% 13/09/2023	955,035	0.34	
	1,000,000	General Electric 5.25% 07/12/2028	1,155,700	0.41	
	1,500,000	General Motors Financial 2.35% 03/09/2025	1,494,540	0.53	
	2,000,000	GlaxoSmithKline Capital 1.625% 12/05/2035	2,049,960	0.73	
	2,500,000	Glencore Finance Europe 3.125% 26/03/2026	2,635,875	0.94	
	1,800,000	Goldman Sachs 4.25% 29/01/2026	2,069,946	0.74	
	1,100,000	Goldman Sachs 3.125% 25/07/2029	1,245,871	0.45	
	800,000	Grainger 3% 03/07/2030	831,424	0.30	
	EUR400000	Grifols 2.25% 15/11/2027	361,846	0.13	
	1,500,000	Hammerson 3.5% 27/10/2025	1,384,425	0.49	
	1,000,000	Heathrow Finance 4.75% 01/03/2024	992,720	0.35	
	1,000,000	Heathrow Funding 6.45% 10/12/2031	1,357,430	0.49	
	1,000,000	Heathrow Funding 2.75% 09/08/2051	915,740	0.33	
	1,025,000	Hiscox 6.125% 24/11/2045	1,123,646	0.40	
	2,500,000	HSBC 2.256% 13/11/2026	2,566,725	0.92	
	2,000,000	HSBC 5.75% 20/12/2027	2,449,000	0.88	
	1,000,000	Imperial Brands Finance 9% 17/02/2022	1,110,520	0.40	
	2,000,000	Industrial & Commercial Bank of China 1.5% 31/07/2022	2,017,920	0.72	
	EUR200000	INEOS Finance 2.125% 15/11/2025	172,181	0.06	
	1,100,000	Informa 3.125% 05/07/2026	1,110,131	0.40	
	EUR650000	Infrastrutture Wireless Italiane 1.875% 08/07/2026	600,659	0.21	
	1,500,000	ING 3% 18/02/2026	1,633,515	0.58	
	800,000	innogy Finance 6.125% 06/07/2039	1,305,064	0.47	
	EUR600000	International Game Technology 3.5% 15/06/2026	515,990	0.18	
	2,000,000	Intesa Sanpaolo 5.25% 28/01/2022	2,096,900	0.75	
	2,100,000	Intesa Sanpaolo 2.5% 15/01/2030	2,115,897	0.76	
	500,000	Intesa Sanpaolo 5.148% 10/06/2030	541,840	0.19	
	EUR500000	Intrum 3.125% 15/07/2024	429,576	0.15	
	1,000,000	Kreditanstalt fuer Wiederaufbau 0.875% 15/09/2026	1,036,660	0.37	
	750,000	Legal & General 5.375% 27/10/2045	857,752	0.31	
	500,000	Legal & General 4.5% 01/11/2050	539,410	0.19	
	500,000	Legal & General 5.5% 27/06/2064	587,245	0.21	
	2,000,000	Lloyds Bank 7.625% 22/04/2025	2,532,960	0.91	
	2,000,000	Lloyds Banking 2.25% 16/10/2024	2,067,400	0.74	
	2,000,000	Lloyds Banking 1.875% 15/01/2026	2,015,780	0.72	
	2,000,000	Logicor 2019-1 1.875% 17/11/2026	2,098,080	0.75	
	500,000	Logicor Financing 2.75% 15/01/2030	507,385	0.18	
	2,100,000	London & Quadrant Housing Trust 2.625% 28/02/2028	2,263,170	0.81	
	1,000,000	London Power Networks 2.625% 01/03/2029	1,107,030	0.40	
	2,000,000	LVMH Moet Hennessy Louis Vuitton 1.125% 11/02/2027	2,010,200	0.72	
	1,250,000	M&G 5.625% 20/10/2051	1,451,713	0.52	
	400,000	M&G 5.56% 20/07/2055	452,928	0.16	
	EUR600000	Mauser Packaging Solutions 4.75% 15/04/2024	531,803	0.19	
	1,000,000	McKesson 3.125% 17/02/2029	1,099,030	0.39	
	200,000	MDGH - GMTN 6.875% 14/03/2026	255,422	0.09	

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2019

	Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019
Corporate Bonds – 88.81% (continued)					
	1,000,000	Metropolitan Life Global Funding I 1.625% 21/09/2029	1,039,690	0.37	
	500,000	MPT Operating Partnership / MPT Finance 2.55% 05/12/2023	498,740	0.18	
	1,000,000	Muenchener Rueckversicherungs-Gesellschaft 6.625% 26/05/2042	1,087,180	0.39	
	1,500,000	National Express 2.5% 11/11/2023	1,519,335	0.54	
	800,000	National Grid Electricity Transmission 2.75% 06/02/2035	937,816	0.34	
	2,000,000	Nationwide Building Society 1% 24/01/2023	2,015,660	0.72	
	2,000,000	Natwest 3.125% 28/03/2027	2,132,440	0.76	
	675,000	Natwest 3.622% 14/08/2030	703,505	0.25	
	1,000,000	New York Life Global Funding 1.625% 15/12/2023	1,032,670	0.37	
	1,000,000	New York Life Global Funding 1.25% 17/12/2026	1,030,910	0.37	
	800,000	NGG Finance 5.625% 18/06/2073	901,192	0.32	
	EUR250000	Nissan Motor 1.94% 15/09/2023	231,830	0.08	
	EUR1050000	Nissan Motor 2.652% 17/03/2026	964,584	0.34	
	500,000	Northern Electric Finance 2.75% 24/05/2049	615,515	0.22	
	700,000	NWEN Finance 5.875% 21/06/2021	694,750	0.25	
	2,200,000	Petroleos Mexicanos 3.75% 16/11/2025	1,914,858	0.68	
	300,000	Pinewood Finance 3.25% 30/09/2025	298,311	0.11	
	275,000	Porterbrook Rail Finance 7.125% 20/10/2026	347,922	0.12	
	449,000	QBE Insurance 6.115% 24/05/2042	473,978	0.17	
	EUR1150000	Q-Park 1.5% 01/03/2025	954,632	0.34	
	2,000,000	Quadgas Finance 3.375% 17/09/2029	2,112,240	0.75	
	1,500,000	Reckitt Benckiser Treasury Services 1.75% 19/05/2032	1,567,365	0.56	
	2,100,000	Santander UK 2.92% 08/05/2026	2,215,689	0.79	
	225,000	Santander UK 6.5% 21/10/2030	283,352	0.10	
	1,000,000	Scottish Hydro Electric Transmission 2.25% 27/09/2035	1,086,240	0.39	
	100,000	Scottish Widows 5.5% 16/06/2023	109,985	0.04	
	1,000,000	Segro 2.875% 11/10/2037	1,174,730	0.42	
	1,000,000	Severn Trent Utilities Finance 2% 02/06/2040	1,056,450	0.38	
	2,500,000	Shell International Finance 1% 10/12/2030	2,474,475	0.88	
	EUR500000	Silgan 2.25% 01/06/2028	441,923	0.16	
	1,350,000	Skipton Building Society 1.75% 30/06/2022	1,357,344	0.49	
	1,000,000	Southern Gas Networks 3.1% 15/09/2036	1,198,840	0.43	
	1,000,000	SP Transmission 2% 13/11/2031	1,068,720	0.38	
	500,000	Stagecoach 4% 29/09/2025	501,970	0.18	
	EUR550000	Standard Industries 2.25% 21/11/2026	477,016	0.17	
	EUR550000	Techern Verwaltungsgesellschaft 675 mbH 2% 15/07/2025	476,991	0.17	
	EUR305000	Telecom Italia 2.375% 12/10/2027	277,984	0.10	
	EUR200000	Telecom Italia Finance 7.75% 24/01/2033	260,503	0.09	
	255,577	Tesco Property Finance 7.6227% 13/07/2039	380,145	0.14	
	EUR300000	Teva Pharmaceutical Finance Netherlands 1.625% 15/10/2028	215,574	0.08	
	1,000,000	Total Capital International 1.405% 03/09/2031	1,034,850	0.37	
	1,000,000	Toyota Motor Finance Netherlands 1.375% 23/05/2023	1,020,620	0.36	
	2,000,000	University of Oxford 2.544% 08/12/2117	2,940,640	1.05	
	1,000,000	Verizon Communications 2.5% 08/04/2031	1,103,340	0.39	
	1,000,000	Vinci 2.25% 15/03/2027	1,075,350	0.38	
	800,000	Virgin Media Vendor Financing Notes III 4.875% 15/07/2028	804,936	0.29	
	1,500,000	Virgin Money 4% 25/09/2026	1,546,050	0.55	
	700,000	Vodafone 3% 12/08/2056	738,955	0.26	
	2,000,000	Vodafone 4.875% 03/10/2078	2,110,000	0.75	
	1,300,000	Volkswagen Financial Services 1.625% 09/06/2022	1,309,594	0.47	
	1,500,000	Volkswagen Financial Services 1.625% 30/11/2022	1,514,190	0.54	
	1,200,000	Volkswagen Financial Services 1.625% 10/02/2024	1,213,692	0.43	
	1,500,000	Volkswagen International Finance 4.125% 17/11/2031	1,786,170	0.64	
	1,100,000	Wellcome Trust 2.517% 07/02/2118	1,661,968	0.59	
	1,200,000	Wells Fargo 1.375% 30/06/2022	1,211,772	0.43	
	1,500,000	Wells Fargo 2.5% 02/05/2029	1,607,175	0.57	
	1,000,000	Wessex Water Services Finance 1.5% 17/09/2029	1,018,200	0.36	
	1,500,000	Western Power Distribution South West 2.375% 16/05/2029	1,626,105	0.58	
	1,000,000	Westfield America Management 2.625% 30/03/2029	1,014,290	0.36	
	1,500,000	WPP Finance 2.875% 14/09/2046	1,361,070	0.49	
	1,500,000	Yorkshire Building Society 3.5% 21/04/2026	1,678,560	0.60	
	500,000	Yorkshire Building Society 3.375% 13/09/2028	524,580	0.19	
	525,000	Yorkshire Housing Finance 4.125% 31/10/2044	724,253	0.26	
	2,500,000	Yorkshire Water Finance 1.75% 26/11/2026	2,561,125	0.92	
			248,480,051	88.81	88.18

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2019

	Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2020	% of Net Asset Value 30 Sep 2019				
Floating Bonds – 1.45%									
	883,308	Dukinfield 2 1.4319% 20/12/2052	884,731	0.32					
	674,217	Eurosail-UK 2007-4BL 1.0096% 13/06/2045	655,036	0.23					
	244,326	Farrington Mortgages No 2 1.5824% 15/07/2047	228,951	0.08					
	274,684	ResLoC UK 2007-1 0.2791% 15/12/2043	239,894	0.09					
	510,081	Ribbon Finance 2018 1.826% 20/04/2028	454,464	0.16					
	1,663,452	Taurus 2018-2 UK 1.3533% 22/05/2028	1,598,833	0.57					
			4,061,909	1.45	2.19				
Government Bonds – 0.77%									
	700,000	Italy Government International Bond 6% 04/08/2028	886,564	0.32					
	1,000,000	Korea Development Bank 1.75% 15/12/2022	1,018,950	0.36					
	225,000	Mexico Government International Bond 5.625% 19/03/2114	238,500	0.09					
			2,144,014	0.77	1.75				
Perpetual Call Bonds – 4.23%									
	EUR900000	ABN AMRO Bank 4.375%	815,567	0.29					
	EUR1500000	ASR Nederland 5%	1,512,549	0.54					
	300,000	Aviva 6.125%	322,347	0.11					
	2,000,000	BP Capital Markets 4.25%	2,094,020	0.75					
	EUR400000	Cooperatieve Rabobank 4.625%	373,316	0.13					
	250,000	Direct Line Insurance Group 4.75%	232,397	0.08					
	300,000	Electricite de France 6%	322,893	0.12					
	1,500,000	HSBC Holdings 5.875%	1,507,635	0.54					
	EUR600000	Lloyds Banking 6.375%	539,430	0.19					
	100,000	National Westminster Bank 7.125%	111,175	0.04					
	1,000,000	Nationwide Building Society 5.75%	1,028,640	0.37					
	1,000,000	Orange 5.75%	1,088,150	0.39					
	EUR600000	Repsol International Finance 4.247%	556,590	0.20					
	500,000	Santander UK 7.375%	517,930	0.19					
	750,000	Zurich Finance 6.625%	822,015	0.29					
			11,844,654	4.23	3.59				
Supra-national Borrowers – 3.26%									
	2,000,000	European Investment Bank 1% 21/09/2026	2,090,740	0.75					
	2,000,000	European Investment Bank 5.625% 07/06/2032	3,118,500	1.11					
	1,400,000	European Investment Bank 4.625% 12/10/2054	2,870,322	1.03					
	1,000,000	International Bank for Reconstruction & Development 1% 21/12/2029	1,047,080	0.37					
			9,126,642	3.26	2.64				
Forward Currency Exchange Contracts – (0.12)%									
Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss)			
GBP	193,854	EUR	210,000	04/11/2020	Canadian Imperial Bank of Commerce	2,118	–		
						2,118	–		
GBP	20,964,926	EUR	23,321,000	04/11/2020	Royal Bank of Canada	(327,815)	(0.11)		
GBP	728,853	USD	965,000	27/11/2019	Barclays Bank	(21,816)	(0.01)		
						(350,860)	(0.12)		
						Net Unrealised gain on Forward Currency Exchange Contracts	(0.12)	(0.02)	
Futures Contracts – (0.04)%									
Counterparty	Currency	Number of contracts	Security description			Unrealised Gain/(Loss)			
Goldman Sachs	EUR	(67)	Euro Bobl Futures December 2020			(16,727)	(0.01)		
Goldman Sachs	EUR	(27)	Euro Bund Futures December 2020			(33,500)	(0.01)		
Goldman Sachs	GBP	(160)	UK Long Gilt Bond Futures December 2020			(68,450)	(0.02)		
Goldman Sachs	USD	(13)	US Treasury Note 5 Year Futures December 2020			(3,562)	–		
Goldman Sachs	USD	(15)	US Treasury Note 10 Year Futures December 2020			(3,531)	–		
Goldman Sachs	USD	10	US Ultra Treasury Note 10 Year Futures December 2020			5,662	–		
						(120,108)	(0.04)	(0.05)	
						Portfolio of investments	275,188,420	98.36	98.28
						Net other assets	4,594,588	1.64	1.72
						Net assets	279,783,008	100.00	100.00

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2020

Rating Block	Market value (£)
AAA	16,305,677
AA+	5,124,923
AA	7,747,742
AA-	6,546,738
A+	7,903,680
A	19,536,914
A-	37,220,909
BBB+	69,305,707
BBB	53,882,922
BBB-	32,285,688
BB+	9,747,726
BB	4,291,539
BB-	3,025,249
B+	994,921
B	1,736,935
Portfolio of investments*	275,657,270

* Excludes Futures and forward contracts.

Source: Bloomberg composite.

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2020 was as follows:

Futures Contracts

Counterparty	Contracts	Notional value (£)	Value of exposure (£)
Goldman Sachs	(272)	36,073,479	(120,108)
Total	(272)	36,073,479	(120,108)

Forward Currency Exchange Contracts

The exposure obtained from the Forward Currency Exchange Contracts and identity of counterparties as at 30 September 2020 are presented in the Portfolio Statement.

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2020

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2019 was as follows:

Futures Contracts

Counterparty	Contracts	Notional value (£)	Value of exposure (£)
Goldman Sachs	(276)	36,519,830	(150,371)
Total	(276)	36,519,830	(150,371)

Forward Currency Exchange Contracts

Maturity date	Amount bought	CCY	Amount sold	CCY	Counterparty	Unrealised gain/(loss) (£)
25/11/2019	16,239,038	GBP	18,280,000	EUR	Barclays Bank	(22,388)
27/11/2019	1,057,148	GBP	1,330,000	EUR	Barclays Bank	(21,816)
Unrealised loss on Forward Currency Contracts						(44,204)
Total unrealised loss on Forward Currency Contracts						(44,204)

Sterling Corporate Bond Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Income					
Net capital gains	4		1,968,410		14,860,657
Revenue	5	7,801,708		7,841,009	
Expenses	6	(773,373)		(692,146)	
Interest payable and similar charges		(1,949)		(1,679)	
Net revenue before taxation		7,026,386		7,147,184	
Taxation	7	(362)		7	
Net revenue after taxation			7,026,024		7,147,191
Total return before distributions			8,994,434		22,007,848
Distributions	8		(7,027,082)		(7,147,235)
Change in net assets attributable to shareholders from investment activities			1,967,352		14,860,613

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Opening net assets attributable to shareholders		284,836,643		223,559,822
Amounts receivable on issue of shares	58,671,607		66,778,377	
Amounts payable on cancellation of shares	(68,139,352)		(22,543,943)	
		(9,467,745)		44,234,434
Dilution adjustment charged		175,869		71,038
Change in net assets attributable to shareholders from investment activities		1,967,352		14,860,613
Retained distributions on accumulation shares		2,270,889		2,110,071
Unclaimed distribution		-		665
Closing net assets attributable to shareholders		279,783,008		284,836,643

Balance Sheet

AS AT 30 SEPTEMBER 2020

	Notes	30 Sep 2020 (£)	30 Sep 2020 (£)	30 Sep 2019 (£)	30 Sep 2019 (£)
Assets					
Investment assets			275,665,050		280,211,803
Debtors	9	5,084,364		5,637,489	
Cash and bank balances	10	3,448,366		7,052,964	
Total other assets			8,532,730		12,690,453
Total assets			284,197,780		292,902,256
Liabilities					
Investment liabilities			476,630		283,092
Creditors	11	2,610,431		6,261,803	
Distribution payable on income shares		1,327,711		1,520,718	
Total other liabilities			3,938,142		7,782,521
Total liabilities			4,414,772		8,065,613
Net assets attributable to shareholders			279,783,008		284,836,643

The accompanying notes are an integral part of these Financial Statements.

Sterling Corporate Bond Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the “SORP”) issued by the Investment Association in May 2014 and amended in June 2017 and the UK GAAP comprising FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

(b) Revenue

Interest receivable from bank deposits is accounted for on an accruals basis. Interest from debt securities is accounted for on an effective rate basis. Future cash flow on all debt securities are considered when calculating revenue on an effective yield basis and where purchase costs are considered to reflect incurred credit losses, such losses are taken into account so that interest is recognised at a reasonably expected commercial rate. Accrued interest purchased and sold on interest-bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Company.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accruals basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the period is shown in notes 4 and 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12:00pm on the last business day of the accounting year, 30 September 2020.

The value of derivative contracts is calculated with reference to the price/value of the underlying assets and other relevant factors such as interest rates and volatility.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting year.

(g) Treatment of derivatives

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and Funds’ objectives for investment in derivative instruments. Where positions are held to protect capital, the returns are treated as capital. Where positions are to generate revenue, the returns are treated as revenue. Where positions generate total returns, these returns are apportioned between capital and revenue to properly reflect the nature of the transaction. The revenue element in respect of bond futures is calculated by reference to the quoted yield of the relevant index compared to LIBOR. This revenue element will either be revenue or an expense, depending on whether the position held is “long” or “short”.

2. DISTRIBUTION POLICY

The revenue from the Fund’s investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the proportion of the Fund’s assets attributable to each share class, on the day the revenue is earned or expense is suffered. Income equalisation and the annual management charge, are specific to each share class.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund’s financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner.

Derivative instruments held within the Fund will be accounted for in accordance with the SORP. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk, (e) credit & default risk and (f) use of derivatives and other investment techniques.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the year.

(a) Market price risk

The Fund's investment portfolio is exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than Sterling, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager ('IM') manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2020, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £13,759,421 (2019: £13,996,436).

(b) Foreign currency risk and currency exposure

Some of the Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that Fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the Fund.

As at 30 September 2020, if the value of Sterling increased or decreased by 1%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £343 (2019: £181,768).

The Fund's currency exposure as at 30 September 2020 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Euro	(21,265,323)	20,876,382	(388,941)
US Dollar	(706,710)	1,129,992	423,282
Total	(21,972,033)	22,006,374	34,341

The Fund's currency exposure as at 30 September 2019 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non-Monetary Exposure £	
Euro	739,298	16,159,419	16,898,717
US Dollar	90,913	1,187,170	1,278,083
Total	830,211	17,346,589	18,176,800

(c) Interest rate risk and cash flow risk

The revenue of the Fund may be affected by changes in interest rates relevant to particular securities, or as a result of the Fund Manager being unable to invest in securities with similar interest rate profiles on expiration of existing contracts or sale of securities. Interest rate movements in the future, or the expectation of such movements, may affect the value of fixed interest securities.

Duration is used as the primary measure of interest rate risk, and is measured on a daily basis.

The IM ensures that the Fund's weighted average duration is, where applicable, within a range that is in line with the Fund's investment objectives and is monitored on a daily basis by Morgan Stanley Investment Management ("IM")'s Compliance department. In addition, risk factors such as interest rate risk are measured monthly by the Global Risk and Analysis team ("GRA"). Specifically, GRA utilises the BlackRock Aladdin risk platform, a fixed income analytics toolkit that has security modelling capabilities. GRA also uses Aladdin to produce Tracking Error Volatility, which shows the overall interaction of interest rate risk with other modelled risks as they apply to the Fund. Analytics are supplemented with position analysis to monitor relative weights and durations of the Fund's portfolio relative to the benchmark.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depository.

As at 30 September 2020, if interest rates moved up/down 1.00% then the impact to the net assets attributable to shareholders of the Fund would be -6.24%/+6.24% (£-17,611,319/+17,611,319) (2019: -6.28%/+6.28%, £-17,887,741/+17,887,741).

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2020, was:

Currency	Floating Rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
2020				
Euro	85,955	20,876,382	183,427	21,145,764
Pound Sterling	7,381,703	249,588,987	26,472,859	283,443,549
US Dollar	42,617	1,129,992	321,373	1,493,982
Total	7,510,275	271,595,361	26,977,659	306,083,295
2019				
Euro	479,384	16,159,419	282,301	16,921,104
Pound Sterling	12,729,771	256,516,229	5,435,253	274,681,253
US Dollar	104,277	1,187,170	8,452	1,299,899
Total	13,313,432	273,862,818	5,726,006	292,902,256

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2020			
Euro	-	21,534,705	21,534,705
Pound Sterling	-	3,694,884	3,694,884
US Dollar	-	1,070,698	1,070,698
Total	-	26,300,287	26,300,287
2019			
Euro	-	22,387	22,387
Pound Sterling	-	8,021,410	8,021,410
US Dollar	-	21,816	21,816
Total	-	8,065,613	8,065,613

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied by the Depository, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2020 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of the Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the shares in cash.

(e) Credit risk and default risk

Certain transactions in securities that the Fund enter 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 buy and sell investments through brokers which have been approved by the ACD as acceptable counterparties.

The Fund invests in fixed and floating rate securities. The value of these securities would be adversely affected if the issuer were unable to pay the contractual interest or principal.

IM's methods of controlling credit risk include appropriate diversification of the Fund's portfolio and limits on maximum exposure per issuer that comply with Morgan Stanley's investment restrictions, which in some cases are more restrictive than the UCITS requirement.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Exposures are monitored to ensure they comply with the Fund's investment restrictions and, where applicable, investment objectives. IM's Compliance and Operations departments review internal limits, report all breaches and escalate non-compliance to all relevant areas as appropriate. In addition, the Risk Management department maintains oversight of credit and default risk.

The carrying amount of the Fund's financial assets best represents the maximum exposure to credit risk.

(f) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques.

Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised.

There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

4. NET CAPITAL GAINS

Currency	30 Sep 20 (£)	30 Sep 19 (£)
Gains on non-derivative securities	3,071,575	17,562,083
Losses on derivative contracts	(1,172,527)	(2,694,821)
Currency gains/(losses)	71,995	(2,138)
Transaction charges	(7,817)	(8,057)
ACD's reimbursement to capital	5,184	3,590
Net capital gains	1,968,410	14,860,657

5. REVENUE

	30 Sep 20 (£)	30 Sep 19 (£)
Bank interest	1,419	1,870
Interest on debt securities	7,760,422	7,870,628
HMRC Interest	4	-
Income from futures	39,863	(31,489)
Total revenue	7,801,708	7,841,009

6. EXPENSES

	30 Sep 20 (£)	30 Sep 19 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	519,879	475,655
Administration charge	712,001	636,285
Less ACD's reimbursement to revenue	(543,197)	(524,651)
	688,683	587,289
Other expenses:		
Financial Conduct Authority fee	483	485
Audit fee	11,729	8,253
Depository's fees	38,970	47,340
Safe custody fees	25,754	26,256
Professional fees	9,223	11,047
Printing & production costs	(1,538)	11,378
Registration fees	69	98
	84,690	104,857
Total expenses	773,373	692,146

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 20 (£)	30 Sep 19 (£)
Corporation tax	362	-
Prior year adjustments	-	(7)
Total taxation	362	(7)

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue before taxation	7,026,386	7,147,184
Corporation tax of 20% (2019: 20%)	1,405,277	1,429,437
Tax deductible interest distributions	(1,405,277)	(1,429,437)
Tax relief on expenses offset against capital	362	-
Corporation tax: adjustment in respect of prior years	-	(7)
Total tax for the year	362	(7)

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 20 (£)	30 Sep 19 (£)
Interim	5,596,486	5,806,384
Final	1,475,869	1,560,705
Add: Amounts deducted on cancellation of shares	165,585	100,081
Less: Amounts received on issue of shares	(210,858)	(319,935)
Net distribution for the year	7,027,082	7,147,235

Distributions are represented by:

	30 Sep 20 (£)	30 Sep 19 (£)
Net revenue after taxation	7,026,024	7,147,191
Tax relief on expenses offset against capital	362	-
Movement on revenue account	696	44
Net distribution for the year	7,027,082	7,147,235

Details of the distribution per share are set out in the Distribution Tables on pages 90 to 94.

9. DEBTORS

	30 Sep 20 (£)	30 Sep 19 (£)
Accrued revenue	3,419,112	3,536,141
Amounts receivable for issue of shares	154,761	497,964
Sales awaiting settlement	1,382,435	1,493,556
Reimbursement of expenses receivable from ACD	128,056	109,822
Corporation tax recoverable	-	6
	5,084,364	5,637,489

10. CASH AND BANK BALANCES

	30 Sep 20 (£)	30 Sep 19 (£)
Cash and bank balances	2,587,894	6,389,604
Amounts held at futures clearing houses & brokers	860,472	663,360
	3,448,366	7,052,964

11. CREDITORS

	30 Sep 20 (£)	30 Sep 19 (£)
Purchases awaiting settlement	1,561,708	4,479,930
Accrued expenses	261,085	201,163
Amounts payable to ACD	130,321	89,086
Amount payable for cancellation of shares	656,955	1,491,624
Corporation tax payable	362	-
	2,610,431	6,261,803

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and note 8. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting year are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the year in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in notes 4 and 6.

Two investor (Hargreaves Lansdown Nominees Ltd – 45% and Clearstream Banking SA – 23%) held 68% (2019: no material shareholder) of the Fund at the year end date and were deemed to be material shareholders.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2019: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class I	0.25%
Class F	0.15%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on pages 74 to 75. The distribution per share class is given in the Distribution Tables on pages 90 to 94.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 20 (£)	30 Sep 19 (£)	30 Sep 20 (£)	30 Sep 19 (£)
Bonds	106,074,734	141,799,693	112,463,262	97,957,784
Trades in the year before transaction costs	106,074,734	141,799,693	112,463,262	97,957,784
Commissions				
Futures	1,920	2,071	(1,303)	(1,752)
Total Commissions	1,920	2,071	(1,303)	(1,752)
Total costs	1,920	2,071	(1,303)	(1,752)
Total net trades in the year after transaction costs	106,076,654	141,801,764	112,461,959	97,956,032

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.85% (2019: 0.61%).

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2020

	A Accumulation*	A Income*	I Accumulation	I Income
Opening shares in issue	104,379	40,349	339,187	4,663,470
Creations during the year	1,479	2,551	300,643	1,118,423
Cancellations during the year	(105,858)	(42,900)	(109,915)	(1,109,429)
Closing shares in issue	-	-	529,915	4,672,464
			F Accumulation	F Income
Opening shares in issue			54,648,887	107,789,388
Creations during the year			12,580,520	12,925,797
Cancellations during the year			(7,921,925)	(29,522,192)
Closing shares in issue			59,307,482	91,192,993

* Share Classes A were converted to Share Classes I on 5 November 2019.

17. FAIR VALUE HIERARCHY

Valuation technique	Assets 30 Sep 20 (£)	Liabilities 30 Sep 20 (£)	Assets 30 Sep 19 (£)	Liabilities 30 Sep 19 (£)
Quoted prices for identical instruments in active markets [^]	892,226	(125,770)	994,877	(238,888)
Valuation techniques using observable market data ^{^^}	274,772,824	(350,860)	279,216,926	(44,204)
Valuation techniques using non-observable data ^{^^^}	-	-	-	-
	275,665,050	(476,630)	280,211,803	(283,092)

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publically traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

18. EPIDEMICS/PANDEMICS/OUTBREAKS RISK

The performance of the Shares depends on the performance of the investments of the Funds, which could also be adversely affected by the effects of epidemics, pandemics or outbreaks of communicable diseases. In response to intensifying efforts to contain epidemics, pandemics or outbreaks of communicable diseases, governments around the world may take a number of actions, such as prohibiting residents' freedom of movement, encouraging or ordering employees to work remotely from home, and banning public activities and events, among others. Any prolonged disruption of businesses could negatively impact financial conditions. The performance of the Shares could be adversely affected to the extent that any of these epidemics, pandemics or outbreaks harms the economy in general.

19. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

Sterling Corporate Bond Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2020

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2019

Group 2: shares purchased between 1 October 2019 to 31 March 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2020 (p)	Distribution paid/accumulated 31 May 2019 (p)
Share Class I – Accumulation				
Group 1	34.0550	–	34.0550	37.6772
Group 2	16.1627	17.8923	34.0550	37.6772
Share Class I – Income				
Group 1	19.2705	–	19.2705	21.9154
Group 2	9.9237	9.3468	19.2705	21.9154

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2019

Group 2: shares purchased between 1 October 2019 to 31 October 2019

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Dec 2019 (p)	Distribution paid/accumulated 31 Dec 2018 (p)
Share Class F – Accumulation				
Group 1	0.3012	–	0.3012	0.3914
Group 2	0.1094	0.1918	0.3012	0.3914
Share Class F – Income				
Group 1	0.2610	–	0.2610	0.3458
Group 2	0.1353	0.1257	0.2610	0.3458

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 November 2019

Group 2: shares purchased between 1 November 2019 to 30 November 2019

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Jan 2020 (p)	Distribution paid/accumulated 31 Jan 2019 (p)
Share Class F – Accumulation				
Group 1	0.2684	–	0.2684	0.3061
Group 2	0.1084	0.1600	0.2684	0.3061
Share Class F – Income				
Group 1	0.2309	–	0.2309	0.2707
Group 2	0.1020	0.1289	0.2309	0.2707

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 December 2019

Group 2: shares purchased between 1 December 2019 to 31 December 2019

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 29 Feb 2020 (p)	Distribution paid/accumulated 28 Feb 2019 (p)
Share Class F – Accumulation				
Group 1	0.2943	–	0.2943	0.2576
Group 2	0.1521	0.1422	0.2943	0.2576
Share Class F – Income				
Group 1	0.2528	–	0.2528	0.2297
Group 2	0.1152	0.1376	0.2528	0.2297

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 January 2020

Group 2: shares purchased between 1 January 2020 to 31 January 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Mar 2020 (p)	Distribution paid/accumulated 31 Mar 2019 (p)
Share Class F – Accumulation				
Group 1	0.2690	–	0.2690	0.3074
Group 2	0.1163	0.1527	0.2690	0.3074
Share Class F – Income				
Group 1	0.2285	–	0.2285	0.2707
Group 2	0.0769	0.1516	0.2285	0.2707

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 February 2020

Group 2: shares purchased between 1 February 2020 to 29 February 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Apr 2020 (p)	Distribution paid/accumulated 30 Apr 2019 (p)
Share Class F – Accumulation				
Group 1	0.2525	–	0.2525	0.2820
Group 2	0.1051	0.1474	0.2525	0.2820
Share Class F – Income				
Group 1	0.2159	–	0.2159	0.2477
Group 2	0.0963	0.1196	0.2159	0.2477

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 March 2020

Group 2: shares purchased between 1 March 2020 to 31 March 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2020 (p)	Distribution paid/accumulated 31 May 2019 (p)
Share Class F – Accumulation				
Group 1	0.3059	–	0.3059	0.3035
Group 2	0.1690	0.1369	0.3059	0.3035
Share Class F – Income				
Group 1	0.2611	–	0.2611	0.2661
Group 2	0.1272	0.1339	0.2611	0.2661

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2020

Group 2: shares purchased between 1 April 2020 to 30 April 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 June 2020 (p)	Distribution paid/accumulated 30 June 2019 (p)
Share Class F – Accumulation				
Group 1	0.2778	–	0.2778	0.3239
Group 2	0.1367	0.1411	0.2778	0.3239
Share Class F – Income				
Group 1	0.2365	–	0.2365	0.2831
Group 2	0.1046	0.1319	0.2365	0.2831

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 May 2020

Group 2: shares purchased between 1 May 2020 to 31 May 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 July 2020 (p)	Distribution paid/accumulated 31 July 2019 (p)
Share Class F – Accumulation				
Group 1	0.2725	–	0.2725	0.3094
Group 2	0.1271	0.1454	0.2725	0.3094
Share Class F – Income				
Group 1	0.2315	–	0.2315	0.2699
Group 2	0.0802	0.1513	0.2315	0.2699

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 June 2020

Group 2: shares purchased between 1 June 2020 to 30 June 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Aug 2020 (p)	Distribution paid/accumulated 31 Aug 2019 (p)
Share Class F – Accumulation				
Group 1	0.2982	–	0.2982	0.2769
Group 2	0.1504	0.1478	0.2982	0.2769
Share Class F – Income				
Group 1	0.2529	–	0.2529	0.2409
Group 2	0.1264	0.1265	0.2529	0.2409

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 July 2020

Group 2: shares purchased between 1 July 2020 and 31 July 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Sep 2020 (p)	Distribution paid/accumulated 30 Sep 2019 (p)
Share Class F – Accumulation				
Group 1	0.2857	–	0.2857	0.3134
Group 2	0.1228	0.1629	0.2857	0.3134
Share Class F – Income				
Group 1	0.2417	–	0.2417	0.2721
Group 2	0.1435	0.0982	0.2417	0.2721

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 August 2020

Group 2: shares purchased between 1 August 2020 and 31 August 2020

	Gross revenue (p)	Equalisation (p)	Distribution payable 31 Oct 2020 (p)	Distribution paid/accumulated 31 Oct 2019 (p)
Share Class F – Accumulation				
Group 1	0.2549	–	0.2549	0.2880
Group 2	0.1186	0.1363	0.2549	0.2880
Share Class F – Income				
Group 1	0.2152	–	0.2152	0.2495
Group 2	0.1025	0.1127	0.2152	0.2495

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2020

Group 2: shares purchased between 1 April 2020 and 30 September 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2020 (p)	Distribution paid/accumulated 30 Nov 2019 (p)
Share Class I – Accumulation				
Group 1	33.3593	–	33.3593	36.4322
Group 2	13.2506	20.1087	33.3593	36.4322
Share Class I – Income				
Group 1	19.0503	–	19.0503	20.9114
Group 2	8.0234	11.0269	19.0503	20.9114

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 September 2020

Group 2: shares purchased between 1 September 2020 and 30 September 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2020 (p)	Distribution paid/accumulated 30 Nov 2019 (p)
Share Class F – Accumulation				
Group 1	0.3021	–	0.3021	0.2902
Group 2	0.1552	0.1469	0.3021	0.2902
Share Class F – Income				
Group 1	0.2520	–	0.2520	0.2509
Group 2	0.1070	0.1450	0.2520	0.2509

EQUALISATION

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

Share Classes A were converted to Share Classes I on 5 November 2019.

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley UK OEIC

1. LEGAL BACKGROUND

This remuneration disclosure has been prepared as required by, and in accordance with, the guidance provided in (1) EU Commission Recommendation on remuneration policies in the financial services sector (2009/384 EC) dated 30 April 2004 (“the **Recommendation**”); (2) EU Directive 2009/65/EC (as amended by Directive 2014/91/EU) (“the **UCITS Directive**”); (3) the European Securities and Markets Authority’s (ESMA) “Guidelines on sound remuneration policies under the UCITS Directive”, (ESMA/2016/575) dated 14 October 2016 (“the **Guidelines**”) and in particular with section 14.1 (headed “External Disclosure”); and (4) ESMA Questions and Answers on the application of the UCITS.

The data used in the analysis for this disclosure relates to the financial year ending 31 December 2019 of Morgan Stanley (“the **Firm**”) and to the remuneration of staff of Morgan Stanley Investment Management (ACD) Limited (“the **UCITS Management Company**”) and its senior management team and other members of its staff whose actions have a material impact on the risk profile of the UCITS it manages or on the UCITS Management Company itself (“Identified Staff”).

2. THE “IDENTIFIED STAFF” FOR THE PURPOSES OF THIS DISCLOSURE

The Guidelines define “Identified Staff” as follows:

- a) “categories of staff, including senior management, risk takers, control functions, staff responsible for heading the investment management, administration, marketing, and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the management company’s risk profile or the risk profiles of UCITS that it manages” (“**Group A**”); and
- b) “categories of staff of the entity(ies) to which investment management activities have been delegated by the management company and whose professional activities have a material impact on the UCITS management company’s risk profile or the risk profiles of UCITS that the UCITS management company manages” (“**Group B**”).

References in this disclosure letter to “Identified Staff” or to staff in Group A or Group B, should be construed accordingly.

No Identified Staff are employed or paid by the UCITS Management Company itself (as it has no employees). All of the Identified Staff are employees of other Morgan Stanley entities whose professional activities are considered to have a material impact on the risk profile of the UCITS managed by the UCITS Management Company, taking into consideration the internal organisation, nature, scope and complexity of the UCITS Management Company and the UCITS it manages.

The Identified Staff within Group A are staff who have been identified as having a material impact on the risk profile of the Morgan Stanley International Group. The identified staff are as those outlined in the Guidelines.

The Identified Staff in Group B are staff of one of the Morgan Stanley group entities to which the portfolio management of one or more of the UCITS Management Company’s Funds has been delegated pursuant to Article 13 of the UCITS Directive. They are not seconded to, or performing a function of, the UCITS Management Company. Accordingly they are not staff of the UCITS Management Company. They are subject to rules which are as equally as effective as UCITS rules on remuneration.

3. PROCESS FOR DETERMINING REMUNERATION POLICIES AND PRINCIPLES

The UCITS Management Company, as an affiliate of Morgan Stanley, benefits from the resources available within the Firm and is subject to the remuneration policies and practices that are applied to all regulated entities of the Firm.

In determining, maintaining and implementing the UK remuneration policies and practices applicable to the UCITS Management Company, including Identified Staff, the UCITS Management Company is subject to the remuneration policies and practices that apply to all Morgan Stanley International Limited (MSI) group entities as well as those applying to Morgan Stanley globally, and may consult, or receive guidance from, the Firm’s control functions and relevant remuneration committees to ensure consistency. Remuneration policy is designed to satisfy four key Firm-wide remuneration objectives: (i) deliver pay for sustainable performance, (ii) align remuneration with shareholders’ interests, (iii) attract and retain top talent, and (iv) mitigate excessive risk-taking.

In support of these objectives, annual compensation (i.e. remuneration) for the majority of the Firm’s employees, including Identified Staff, is comprised of two key elements: fixed remuneration and variable remuneration (variable incentive remuneration) that is discretionary based on, among other factors, Firm performance measured against risk-adjusted metrics and individual and business segment performance.

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley UK OEIC (continued)

The committee that manages remuneration for the Firm is the Compensation, Management Development and Succession Committee (CMDS Committee) of the Morgan Stanley Board of Directors. As of 31 December 2019, it consisted of four directors, all of whom are independent under the New York Stock Exchange listing standards. Each year, the CMDS Committee's mandate is to review the Firm-wide aggregate variable remuneration pool for variable incentive remuneration and to review and approve the design and structure of Morgan Stanley's Firm-wide deferred incentive remuneration programs, including the form of deferred incentive remuneration awards to be granted, the portion of variable incentive remuneration to be deferred, and the vesting, payment, cancellation and clawback provisions of deferred incentive remuneration awards. The CMDS Committee has adopted the Global Incentive Compensation Discretion Policy, which applies to all Firm entities worldwide and sets forth guidance for managers on the use of discretion and considerations for assessing risk management and outcomes when making variable incentive remuneration decisions, and considerations for assessing risk management and outcomes. It has also approved the Global Compensation Policy which covers compensation philosophy and objectives, framework and governance.

In addition, the Board of the UCITS Management Company has adopted a remuneration policy (the "**ACD Remuneration Policy**") in compliance with the UCITS Directive and the Financial Conduct Authority's (FCA) Remuneration Code. The policy is appropriate to the UCITS Management Company's size, internal organization and the nature, scope and complexity of its activities. As well as complying with all of the UCITS management company's legal obligations, the principles of the ACD Remuneration Policy support the business strategy, objectives, values and long-term interests of its clients, including the Fund. In particular, the ACD Remuneration Policy is designed to ensure that remuneration is consistent with and promotes sound and effective risk management and does not encourage risk taking that is inconsistent with the risk profile of the UCITS managed by the UCITS Management Company.

When determining its own remuneration decisions or influencing the decisions made by other Morgan Stanley entities, the UCITS Management Company takes fully into account and complies with (1) UK and EU legislation; (2) the ACD Remuneration Policy and FCA requirements; and (3) the requirements of other remuneration policies set by the Firm. In doing so, it applies consistent principles with the objective of aligning the incentivisation of Identified Staff with business objectives, supporting the delivery of the UCITS Management Company's business plans and corporate values, avoiding conflicts of interest and enabling the right calibre of staff to be recruited. The UCITS Management Company always seeks to ensure, therefore, that the remuneration principles applied by it and the Firm are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS managed by the UCITS Management Company.

The following considerations are taken into account in the design, implementation and oversight of the UCITS Management Company's remuneration policies and practices:

- Overall corporate governance principles and structures as well as their interactions with the remuneration system;
- The inputs provided by all control functions (i.e. human resources, risk management, compliance, internal audit, etc.), which will be properly involved in the design of the Remuneration Policy, as further described below; and
- The clear distinction between operating and control functions, the safeguards for preventing conflicts of interests and the internal reporting system.

4. INVOLVEMENT OF CONTROL FUNCTIONS IN RISK MANAGEMENT AND THE REMUNERATION OF THESE CONTROL FUNCTIONS

The control functions of the Firm assist the UCITS Management Company in implementing its overall remuneration strategy, having regard to operational, liquidity, market and counterparty risks.

In particular:

- a. The Risk Management function helps to ensure that the structure and design of remuneration arrangements does not encourage risk taking that is inconsistent with the risk profile of the UCITS managed by the UCITS Management Company;
- b. The Human Resources and Compliance functions analyse how the remuneration structure affects the UCITS Management Company's compliance with legislation, regulations and internal policies;
- c. The Internal Audit function periodically carries out an independent audit of the design, implementation and effects of Morgan Stanley's remuneration policies;
- d. The EMEA Remuneration Oversight Committee (EROC) provides formal oversight of EMEA remuneration matters to ensure remuneration practices in EMEA are compliant with relevant UK and EU legislation and follow good practice standards. The membership of the EROC is made up of the EMEA control function heads as well as the EMEA Chief Executive Officer.

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley UK OEIC (continued)

The EROC reviews activities of the UCITS Management Company that may lead to individual or collective adjustments of remuneration for its employees; and

- e. The MSI Remuneration Committee was established with effect from 1 January 2017. It is appointed by the Board of Directors of MSI to assist in discharging its obligations in relation to remuneration matters of MSI and its subsidiaries (the MSI Group) and identified material risk takers. Its remit includes reviewing the remuneration policies and practices of the UCITS Management Company in accordance with the Guidelines.

The Control Functions, including Risk Management, Compliance, and Internal Audit, along with Human Resources, Finance, and Legal, are independent from the businesses they monitor. Those engaged in control functions are remunerated in accordance with objectives linked to their functions. Their objectives are independent of the financial performance of the UCITS or the UCITS Management Company. Potential conflicts that may arise in relation to individual compensation decisions are mitigated by the independent role of Human Resources in the year end compensation process.

5. DESIGN AND STRUCTURE OF REMUNERATION

Remuneration paid to Identified Staff is awarded in accordance with Morgan Stanley principles relating to remuneration. Annual compensation is comprised of two key elements: fixed remuneration and variable remuneration. Staff eligibility for annual incentive compensation (variable remuneration) is discretionary and subject to a multi-dimensional performance measurement, which considers, as applicable, the performance of the individual, the UCITS Management Company, the business segment and the Firm.

Identified Staff receive a total annual remuneration package consisting of fixed pay that is comprised of base salary and, in certain circumstances, one or more allowances that are reviewed at least annually; and variable remuneration¹, payable partially as a cash bonus and partially in the form of deferred incentive remuneration awards. The amount of variable incentive remuneration is discretionary and is determined on the basis of, but not limited to, a variety of factors, including performance measured against risk-adjusted metrics and individual performance. It is possible that an individual could be awarded no variable incentive remuneration. Deferred incentive remuneration awards are typically subject to vesting over a multi-year period and are subject to cancellation until the payment date for competition, cause (i.e., any act or omission that constitutes a breach of obligation to the Company, including failure to comply with internal compliance, ethics or risk management standards, and failure or refusal to perform duties satisfactorily, including supervisory and management duties), disclosure of proprietary information, and solicitation of employees or clients. Awards are also subject to malus until the payment date if an employee's act or omission (including with respect to direct supervisory responsibilities) causes a restatement of the Firm's consolidated financial results, constitutes a violation of the Firm's global risk management principles, policies and standards, or causes a loss of revenue associated with a position on which the employee was paid and the employee operated outside of internal control policies.

The UCITS Management Company competes for access to talent globally with investment management firms, private equity firms, hedge funds, investment banks, brokerage firms and other companies offering financial services, and the UCITS Management Company's ability to sustain or improve its position in this highly competitive environment depends substantially on its ability to continue to attract and retain the most qualified individuals. In support of the UCITS Management Company's recruitment and retention objectives, the Firm continually monitors competitive pay levels and structures its incentive awards to include, among other things, vesting, deferred payment and cancellation provisions that protect the UCITS Management Company's interests and align the interests of Identified Staff with those of the UCITS' investors.

The Firm's Global Incentive Compensation Discretion Policy requires compensation managers to consider only legitimate, business related factors when exercising discretion in determining variable incentive compensation, including adherence to Morgan Stanley's core values, conduct, disciplinary actions in the current performance year, risk management and risk outcomes. The policy specifically provides that all managers must consider whether or not an individual managed risk appropriately and effectively managed and supervised the risk control practices of his or her reports during the performance year. Compensation managers are trained on the Global Incentive Compensation Discretion Policy and are required to certify that they have followed the requirements of that policy and have escalated situations potentially requiring attention.

¹ The Firm does not award variable remuneration to a non-executive director for their non-executive director role.

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley UK OEIC (continued)

Other performance criteria that may be taken into account in deciding whether to award, and the amount of any variable incentive remuneration to award, includes (but is not limited to):

- business and market conditions;
- individual conduct, including but not limited to, adherence to Morgan Stanley's code of conduct and policies;
- contribution to the performance and profitability of the business unit, the UCITS Management Company and the Firm;
- contribution to the strategic objectives of the UCITS Management Company, business unit, the Firm and the team;
- revenue and profitability of funds managed by a portfolio manager;
- assets managed by a portfolio manager; and
- contribution to client objectives.

6. QUANTITATIVE REMUNERATION DISCLOSURE²: SCOPE OF DISCLOSURE

We are required to disclose and include in this report certain aggregate remuneration details for (1) the entire staff of the UCITS Management Company³, (2) the UCITS Management Company's senior management team and other members of its staff whose actions have a material impact on the risk profile of the UCITS the UCITS Management Company manages or on the UCITS Management Company itself⁴, and (3) the staff of the delegate of the UCITS Management Company to whom investment management functions (including risk management) have been delegated. As explained above, however, the UCITS Management Company has no employees. Its staff are all secondees.

7. QUANTITATIVE REMUNERATION DISCLOSURE: FINANCIAL INFORMATION

The requisite remuneration information in respect of the 2019 financial year ending 31 December 2019, was as follows:

- a. The total fixed remuneration paid to all staff of the UCITS Management Company was USD 150,926.
- b. The total variable remuneration (variable incentive compensation) paid to all staff of the UCITS Management Company was USD 703,934.
- c. The number of individuals included as UCITS Management Company's staff was 94.
- d. The total remuneration (fixed and variable combined) paid to senior management and other members of staff whose actions have a material impact on the risk profile of the UCITS or on the UCITS Management Company itself was USD 756,440.

8. QUANTITATIVE REMUNERATION DISCLOSURE: RATIONALE FOR APPORTIONMENT

In calculating the "remuneration paid" to the staff in a) to d) above, we have, in accordance with the UCITS Directive and the Guidelines, adopted a proportionate approach and included a relevant proportion of staff's total remuneration. The apportionment method takes in to account a number of factors including, but not limited to; number of accounts managed by investment managers, number of accounts of the contracting entity, headcount of the Investment Management business as a proportion of the Institutional Securities Group and Investment Management Group overall headcount.

Morgan Stanley Investment Management (ACD) Limited
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2 Identified Staff and their associated remuneration are not allocated to individual UCITS so a breakdown by UCITS Fund does not exist and is not readily available.

3 Article 69 (3) (a) of the UCITS Directive.

4 Article 69 (3) (b) of the UCITS Directive and section 14 of the Guidelines.

Further information

REPORTS & ACCOUNTS

The annual and semi-annual report is available at our website www.morganstanleyfunds.co.uk or by writing to Morgan Stanley Investment Management (ACD) Limited, 25 Cabot Square, Canary Wharf, London E14 4QA.

UCITS V

The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS V") for the purpose of the Council Directive 2009/65/EC as amended by Directive 2014/91/EU and transposed into UK law on 18 March 2016.

PROSPECTUS

The Fund Prospectus, an important document describing each Fund in detail, is available from the ACD, which is responsible for the management and administration of the Funds.

The ACD for Morgan Stanley Funds (UK) is Morgan Stanley Investment Management (ACD) Limited, located at 25 Cabot Square, Canary Wharf, London E14 4QA.

TYPES OF SHARE AVAILABLE

Each of the Funds of Morgan Stanley Funds (UK) offers two classes of shares: Class I shares and Class F shares.

Portfolio Hedged Share Classes may be made available from time to time by the ACD.

Details of the Shares presently available for each Fund are set out in this table:

Fund Name	Share Classes and type of Share available
Developing Opportunity Fund	I and F Income and Accumulation Shares and I and F Income and Accumulation (Portfolio Hedged) Shares
Global Brands Fund	I Income and Accumulation Shares and I Income and Accumulation (Portfolio Hedged) Shares
Global Brands Equity Income Fund	I and F Income and Accumulation Shares
Global Sustain Fund	I and F Income and Accumulation Shares and I and F Accumulation (Portfolio Hedged) Shares
US Advantage Fund	I and F Accumulation Shares and I and F Accumulation (Portfolio Hedged) Shares
Sterling Corporate Bond Fund	I and F Income and Accumulation Shares

The share classes are differentiated in terms of minimum initial and subsequent investment required and the annual management charge.

HEDGED SHARE CLASSES

Portfolio Hedged Share Classes seek to reduce exposure to currency movements between the Hedged Share Class Currency and the Fund's Investment Currencies. This involves hedging the Fund's Investment Currencies back to the Hedged Share Class Currency without reference to its Reference Currency.

There is no segregation of liabilities between the different share classes of the same Fund. As such, under certain conditions, there is a remote risk that transactions specific to a Hedged Share Class could result in liabilities which may exceed the assets of that Hedged Share Class. In such a scenario, any excess liabilities could adversely impact the Net Asset Value of other share classes within the same Fund, as the assets of other share classes would be exposed to the excess liabilities of the Hedged Share Class. The ACD has put in place a number of measures and controls as part of its risk management framework in order to prevent such an event, hence the risk of such 'cross contamination' is considered by the ACD to be extremely low.

The hedging strategies adopted at the year end are as follows:

Fund Name	Hedged Share Class(es)	Hedging Strategy
Global Brands Fund	I Hedge income and Accumulation	Portfolio Hedged Share Class
Global Sustain Fund	I and F Hedge Accumulation	Portfolio Hedged Share Class
US Advantage Fund	I and F Hedge Accumulation	Portfolio Hedged Share Class

MINIMUM INVESTMENT

For Class I shares, there is no minimum initial investment and also no minimum for additional investment.

For Class F shares, a minimum initial investment of £150,000,000 is required, with no minimum additional investments.

MINIMUM REDEMPTION

The ACD may refuse a redemption request if the total value of the shares to be redeemed falls below £500 in respect of any share class.

SWITCHING

Investors may sell their shares and transfer the proceeds into any of the other Funds by calling our dealing desk on 0800 328 1571.

DISTRIBUTIONS

Income distributions of I and F share classes are allocated to shareholders at the end of each accounting period. The annual income allocation date is 30 September, the bi-annual income allocation dates are 31 March and 30 September and the quarterly income allocation dates are 31 March, 30 June, 30 September and 31 December and income is paid within 2 months following the end of each accounting period.

Income distributions of the F share class for Sterling Corporate Bond Fund are allocated to shareholders at the end of each month and paid within 2 months following the income allocation.

Income allocated in respect of Income and Accumulation Shares is automatically reinvested at no charge unless a shareholder elects to receive all the income allocation from the income share class in cash.

Further information (continued)

PUBLICATION OF PRICES

The most recent share prices will be published daily on our website www.morganstanleyfunds.co.uk.

CHARGES

No preliminary charge is, or will be, levied in respect of I or F shares.

On an exchange of Shares of one Class or Fund for Shares in another Class or Fund, the ACD may take a charge not exceeding the excess of the amount of the prevailing preliminary charge for the new shares being acquired over the preliminary charge levied on the acquisition of the original shares. There are no exit charges for Morgan Stanley Funds (UK). A proportion of the annual management charge is deducted from the net assets of each Fund on a daily basis. Charges for items such as administration, custody, and auditors fees are also deducted from each Fund.

SWING PRICING

To the extent that the ACD consider that it is in the best interests of Shareholders, taking into account factors including the prevailing market conditions, the level of subscriptions and redemptions in a particular Fund and the size of the Fund, the ACD may decide to adjust the Net Asset Value of a Fund to reflect the estimated dealing spreads, costs and charges (“Swing Factor”) to be incurred by the Fund in liquidating or purchasing investments to satisfy the net transactions received in respect of a particular day.

The Swing Factor shall not exceed 1% of the Net Asset Value of the relevant Fund on the relevant day. When net subscriptions in a Fund exceed a certain threshold on a given day, the Net Asset Value is adjusted upwards by the Swing Factor. Similarly, when net redemptions in a Fund exceed a certain threshold on a given day, the Net Asset Value of the Fund is adjusted downwards by the Swing Factor.

All the Funds apply the swing mechanism.

IMPORTANT INFORMATION

Recipients of this document should not treat the contents as advice relating to legal, taxation or investment matters and should consult their own professional advisers concerning the acquisition, holding or disposing of investments in the Funds.

Past performance is not necessarily indicative of future performance and the value of the shares and income from them may fall as well as rise. On redemption of shares, the investor may receive back an amount less than the original amount of their investment. The assets of the Funds will be in a variety of currencies and therefore movements in the value of currencies may affect the value of an investor’s holdings and the income from the holdings may fluctuate in value in money terms.

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SUBSEQUENT EVENT

Sustainable Fixed Income Opportunities Fund was launched on 11 December 2020. The Fund aims to provide income and capital growth over a 5 year period.

Further information (continued)

2021 Assessment of Value

MEASURING HOW WE HAVE DELIVERED VALUE

MESSAGE FROM THE BOARD

Dear Investor,

With any collective investment scheme, the question of value is always central. Any investor needs to be confident that they are receiving good value for the costs associated with their investment. This is especially true with actively managed investments.

We have long conducted internal assessments to ensure that our investment offerings are competitive. For this report, we have followed the Assessment of Value requirements of the Financial Conduct Authority (FCA). The information in this report therefore can be directly compared to the information in other firms' annual Assessment of Value reports.

Based on a wide-ranging assessment of the major factors affecting the cost and quality of your investment, we have concluded that, on the whole, each fund delivered value to its investors over the report period (1 October 2019 – 30 September 2020). This conclusion is based not only on our own data and analysis but on broader industry data, insights and analysis.

We create our funds with investors in mind. Over the coming year we anticipate creating several new funds we believe will be of interest to our investors and will help bring us closer to achieving cost benefits for investors. We encourage you to explore our website, morganstanley.com/im, which contains a range of information — about markets and trends, our approach to investing, the strategies of our funds, available share classes, and how to find further resources. We welcome comments about the site and our products.

Above all, we thank you for investing with us.

Respectfully,

The Board of Morgan Stanley Investment Management (ACD) Limited

FINDINGS AT A GLANCE

The table below shows each fund's results in the 7 categories of evaluation as well as its overall rating. The categories and findings are described more fully on the following pages. Descriptions of the categories are as follows:

- **Quality of service:** The range and quality of services provided to the funds and to investors.
- **General costs:** What investors pay for the services they and the funds receive.

	GLOBAL BRANDS	GLOBAL BRANDS EQUITY INCOME	GLOBAL SUSTAIN	STERLING CORPORATE BOND	US ADVANTAGE	DEVELOPING OPPORTUNITY
Quality of Service	●	●	●	●	●	●
General Costs	●	●	●	●	●	●
Economies of Scale	●	●	●	●	●	●
Comparable Services	●	●	●	●	●	●
Comparable Market Rates	●	●	●	●	●	●
Classes of Shares	●	●	●	●	●	●
Performance	●	●	●	●	●	N/A
Overall	●	●	●	●	●	●

KEY ● Delivering value ● Delivering value but monitoring required ● Not delivering value; action required

Further information (continued)

- **Economies of scale:** Any reductions in investor costs made possible by growth of the funds' total assets.
- **Comparable services:** What Morgan Stanley charges other products for comparable services.
- **Comparable market rates:** What the funds pay for services compared to what other funds are paying.
- **Classes of shares:** Whether all investors are in the most appropriate share class.
- **Performance:** Whether each fund has met its stated investment objective.

RESULTS THAT APPLY ACROSS ALL FUNDS

Quality of Service

FOCUS The range and quality of services provided to the funds and to investors.

FINDING All funds are serviced to a high standard.

In this assessment we looked at:

- the services provided by the Authorised Corporate Director (ACD), the Investment Manager and the firms the ACD have selected to provide critical services to the Fund, such as the Depository and Transfer Agency
- how we engaged and communicated with investors during 2020
- the continuity of our service during the COVID-19 crisis

Executive and management functions are performed by seasoned professionals. The Board of the ACD includes a number of independent directors, and all directors have extensive investment industry experience and together bring a broad diversity of viewpoints and expertise. The Board meets at least 4 times a year and its members are fully engaged in their responsibilities (for an example of this, see "Our Evaluation Process" on page 105).

Fund assets are managed by teams of industry professionals led by portfolio managers with an average of 25 years of experience. Each fund is regularly reviewed by an investment oversight team that is independent of the investment managers and is responsible for ensuring that strategies are being implemented as intended and in response to changing market dynamics.

A dedicated Sustainability Team is responsible for implementing MSIM's sustainability business efforts, governance processes and supporting investment teams with ESG investment integration practices and the launch of sustainable funds.

Where services have been delegated, all service providers are leading companies in their specialised areas and have demonstrated a satisfactory quality of service. The operations of

these service providers are overseen by a UK-based team from Morgan Stanley Investment Management whose leaders have an average of 20 years of experience.

Investors have access to substantial information through our website, periodic webinars and social media, and can contact our dedicated distribution teams for further information.

The COVID-19 pandemic saw both employees and service providers transition to working from home. This was accomplished without any disruption to services.

We are pleased to report that we received no investor complaints during the report period.

GENERAL COSTS

FOCUS What investors pay for the services they and the funds receive.

FINDING The fees and charges are appropriate for the size and complexity of the funds.

In this assessment we:

- considered each charge paid by the funds, including payments for critical services
- benchmarked material costs against others in the market
- reviewed the governance and oversight of expenses

Costs for investors are comprised of the investment management charge, the administration charge, the depository charge and operating expenses.

ECONOMIES OF SCALE

FOCUS Any reductions in investor costs made possible by growth of the funds' total assets.

FINDING To date, no such reductions have been achieved, but costs on all funds are capped to ensure that what investors pay is fair and reasonable.

Although the funds have the potential to attain economies of scale that may result in lower ongoing fees, in the absence of such economies of scale each fund is subject to expense caps. These caps effectively mean that the ACD subsidises the funds out of its own resources, thereby ensuring that investor fees are fair and reasonable whether economies of scale have been achieved or not.

The ACD regularly monitors fund costs on both an absolute and competitive basis, and uses its analysis to determine where to set the fee caps.

Further information (continued)

COMPARABLE SERVICES

FOCUS What Morgan Stanley charges other products for comparable services.

FINDING Overall, service fees are equivalent to what other Morgan Stanley products pay.

To make this assessment, we reviewed internal products that have similar investment objective, investment policies and similar assets under management. Where cost factors were different (for example, different service levels, fee structures, operational requirements or regulatory costs), we adjusted for those differences in order to compare on an equal basis.

COMPARABLE MARKET RATES

FOCUS What the funds pay for services compared to what other funds are paying.

FINDING Overall, share classes are paying competitive rates for services and are priced competitively for investors; the fee caps have kept investor costs fair and reasonable.

We looked at the difference between the annual fees and charges the share classes paid to service providers and those paid by comparable shares in a representative peer group of UK-registered funds. In making our comparisons we took into consideration investment style and objective, type of share class (retail vs. institutional), and whether the fund is actively managed.

In general, we found that the fees being paid to service providers are in line with the industry average with one exception, which we took as an action point to review over the next reporting period.

Results for Specific Funds

CLASSES OF SHARES

FOCUS Whether all investors are in the most appropriate share class.

FINDING Overall, investors are in the most beneficial share class for which they qualify.

This assessment involved reviewing every investor in the official shareholder register, determining if they were eligible to be in a different class, and then calculating whether the class they are currently in is the most appropriate, taking into account the conditions set out in the prospectus and the asset and activity patterns of the investor.

We identified one investor for which a different class would be more beneficial, and we took timely action to ensure the shareholder would have access to that class.

PERFORMANCE

FOCUS Whether each fund has met its stated investment objective.

FINDING All equity funds performed in line with their investment objectives; Sterling Corporate Bond Fund marginally underperformed the benchmark referenced in its investment objective.

To assess performance, we considered each fund's investment objective, its absolute performance, and its performance against benchmarks and a peer group. All assessments were made using net performance (performance after all fees have been deducted).

The performance tables below show average annual returns for 1, 3 and 5 years. The column "vs bmark" shows how far above or below its benchmark a class has performed over the stated period. "N/A" indicates the class has not been in existence long enough to report performance for the stated period. The benchmark for Sterling Corporate Bond Fund is a target benchmark. For all other funds, the benchmarks shown are for comparison purposes only. In all cases, the benchmark shown represents the performance of securities that may be comparable to the fund's performance.

Developing Opportunity Fund

The fund aims to grow your investment over 3 to 5 years.

This fund launched only two months before the end of the report period, resulting in a track record that is too short to permit any meaningful conclusions to be drawn.

Annualised Returns

Class	1 yr	vs bmark	3 yrs	vs bmark	5 yrs	vs bmark
F acc	N/A	N/A	N/A	N/A	N/A	N/A
I acc	N/A	N/A	N/A	N/A	N/A	N/A

Global Brands Equity Income Fund

The fund aims to provide regular income and to grow your investment over 5 to 10 years.

The fund is on track to meet its investment objective. All share classes outperformed the fund's comparison benchmark – the MSCI World Net Index (GBP) – over 1 and 3 years (the longest period currently available for the fund) and generated income for investors over both periods as well.

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of shares. The sources for all performance and Index data is Morgan Stanley Investment Management.

Further information (continued)

Annualised Returns

Class	1 yr	vs bmark	3 yrs	vs bmark	5 yrs	vs bmark
F inc	8.05	2.81	12.81	3.73	N/A	N/A
I acc	7.68	2.44	12.48	3.40	N/A	N/A
I inc	7.72	2.48	12.49	3.41	N/A	N/A

Global Brands Fund

The fund aims to grow your investment over 5 to 10 years.

The fund met its investment objective. Both share classes outperformed the fund's comparison benchmark — the MSCI World Net Index (GBP) — over 1, 3 and 5 years.

Annualised Returns

Class	1 yr	vs bmark	3 yrs	vs bmark	5 yrs	vs bmark
I acc	9.90	4.66	14.96	5.88	17.65	3.62
I inc	9.91	4.67	14.97	5.89	17.65	3.62

Global Sustain Fund

The fund aims to grow your investment over 5 to 10 years.

The fund is on track to meet its investment objective. Both share classes outperformed the fund's benchmark – the MSCI World Net Index (GBP) – over 1 year (the longest period currently available for the fund).

Annualised Returns

Class	1 yr	vs bmark	3 yrs	vs bmark	5 yrs	vs bmark
F inc	12.26	7.43	N/A	N/A	N/A	N/A
I inc	12.50	7.26	N/A	N/A	N/A	N/A
F acc	12.66	7.42	N/A	N/A	N/A	N/A
I acc	12.49	7.25	N/A	N/A	N/A	N/A

Sterling Corporate Bond Fund

The fund aims to provide income while also growing your investment by outperforming, net of fees, the ICE BofAML Sterling Non-Gilts Index (GBP) over 1 to 3 years.

The fund provided a positive return to investors but underperformed its benchmark. The ACD directed an in-depth review of the fund and determined that the underperformance was due to market conditions unfavorable to the fund's strategic approach. The review established that the fund is being managed to meet its investment objective and that the investment process remains robust overall, with the fund continuing to offer value to investors. The ACD will continue to monitor the fund's strategy, process and performance.

Annualised Returns

Class	1 yr	vs bmark	3 yrs	vs bmark	5 yrs	vs bmark
F acc	3.89	0.02	4.34	-0.36	5.24	-0.26
F inc	3.89	0.02	4.34	-0.36	5.24	-0.26
I acc	3.72	-0.15	4.19	-0.51	5.13	-0.37
I inc	3.73	-0.14	4.18	-0.52	5.12	-0.38

US Advantage Fund

The fund aims to grow your investment over 3 to 5 years.

The fund is on track to meet its investment objective. Both share classes outperformed the fund's comparison benchmark – the S&P 500 w/Income (GBP) – over 1 and 3 years (the longest period currently available for the fund).

Annualised Returns

Class	1 yr	vs bmark	3 yrs	vs bmark	5 yrs	vs bmark
F acc	47.43	37.67	29.50	15.82	N/A	N/A
I acc	46.98	37.22	29.11	15.43	N/A	N/A

FOR MORE INFORMATION

All documents listed below are available on morganstanley.com/im

Costs

- Descriptions of investment management, administration and depositary fees: prospectus.
- Actual costs for most recent year: Key Investor Information Document (calendar year), Annual Report (report period/accounting year).

Performance

- Performance of a specific share class: fact sheet (past 10 calendar years: per year, average, cumulative), Key Investor Information Document (past 5 calendar years), Annual Report (report period/accounting year).

Services

- Name and address of each current service provider and what the provider does: prospectus.

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of shares. The sources for all performance and Index data is Morgan Stanley Investment Management.

Further information (continued)

Our Evaluation Process

HOW THE BOARD CONDUCTED ITS ASSESSMENT

As Board members of Morgan Stanley Investment Management (ACD), we have always taken a keen interest in fund performance and pricing. Delivering sound investor value is essential for the funds to remain competitive. More than that, these same issues go to the heart of our fiduciary duty to fund investors.

For this, our second Annual Assessment of Value, we remained engaged throughout the process. To begin with, we ensured that the actions from last year's assessment were completed, notably the merger of A shares into the less expensive I shares.

For each of the FCA's 7 prescribed assessment criteria we oversaw and reviewed specific analysis that was developed using methodologies we approved as adequately responding to the regulatory requirements. In many cases the internal findings and discussions ranged well beyond these requirements.

A key aspect of the process is that it affords us ongoing opportunities, as a Board or as individual Directors, to critique and challenge the information and analyses presented to us. Both the independent and the affiliated Directors took advantage of this opportunity at one time or another. Final authorisation of this report, including decisions taken on action points, required the formal approval of the Board.

If you have questions or comments about this report, feel free to contact us through the website, morganstanley.com/im.

Diane Hosie

Executive Director & CEO

Andy Mack

Independent Non-Executive Director

Jayne Rogers

Executive Director

Tim Cornick

Independent Non-Executive Director

Simon Ellis

Independent Non-Executive Director

Jacqueline James

Executive Director

ACTIONS AGREED BY THE BOARD

- Review service provider fees and seek to renegotiate those found to be higher than the industry average.
- Review the Sterling Corporate Bond Fund's strategy, process and performance and continue to monitor them throughout the subsequent report period.

Explore our site at www.morganstanley.com/im

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