

# Santander Equity Income Unit Trust

Annual report for the year ended 15 February 2023

## Contents

	Page No.
Manager's report*	2
Statement of Authorised Unit Trust Manager's responsibilities*	6
Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders	7
Independent auditors' Report to the Unitholders	8
Investment commentary*	11
Summary of material portfolio changes*	18
Portfolio statement*	19
Comparative tables	23
Financial statements - Santander Equity Income Unit Trust	24
– Statement of total return	24
– Statement of change in net assets attributable to unitholders	24
– Balance sheet	25
– Notes to the financial statements	26
Distribution tables	39
Further information*	40
Appointments*	45

\* These items along with the Fund Investment Objective & Policy and Risk & Reward Indicator collectively constitute the Authorised Funds Manager's ("Manager") Report in accordance with the Collective Schemes Sourcebook.

## **Manager's report**

### ***for the year ended 15 February 2023***

The Santander Equity Income Unit Trust (the "Fund") is an authorised unit trust scheme, as defined by the Financial Services and Markets Act 2000 under the terms of the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

The Manager of the Fund is Santander Asset Management UK Limited, which is a private company limited by shares incorporated in Scotland. The ultimate holding company of the Manager is Banco Santander S.A., which is incorporated in Spain.

The Financial Conduct Authority has issued the Fund with an Undertaking for Collective Investment in Transferable Securities ("UCITS") Certificate which allows the Fund to enjoy the rights conferred by the European Union UCITS Directive.

The use of financial instruments by a securities Fund is set out in COLL. A securities Fund is required to be invested in transferable securities in accordance with any restrictions set out in those regulations and the Fund's particulars.

The Fund may hold cash and near cash assets where this may reasonably be regarded as necessary in order to enable: the pursuit of the Fund's investment objective; the redemptions of units in that Fund; any other purpose which may reasonably be regarded as ancillary to the objectives of the Fund. It may borrow, providing such borrowing is on a temporary basis, and does not exceed the limits applicable to the Fund.

The Manager may enter into derivative or forward transactions for the purposes of efficient portfolio management, including hedging. This is not expected to increase the risk profile of the Fund.

For further information please refer to the latest Prospectus which is available on [www.santanderassetmanagement.co.uk](http://www.santanderassetmanagement.co.uk).

The Manager is of the opinion it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Fund consist predominantly of securities which are readily realisable and, accordingly, the Fund has adequate financial resources to continue in operational existence for at least the next twelve months from the approval of the financial statements. Further, appropriate accounting policies, consistently applied and supported by appropriate judgements and estimates, have been used in the preparation of these financial statements and applicable accounting standards have been followed.

Other information required for the Manager's report per COLL 4.5.9R are disclosed elsewhere in this report.

## Manager's report (continued)

for the year ended 15 February 2023

### Significant Information

#### Remuneration Disclosure

Santander Asset Management UK Limited ("SAM UK") has a Remuneration Policy in place which is designed to support prudential soundness and risk management and ensure appropriate outcomes for customers and markets to reduce the likelihood of harm. The Remuneration Policy is aligned to Remuneration Codes under MiFIDPRU, AIFMD and UK UCITS as set out in Chapters 19G, 19B and 19E respectively of the FCA's Senior Management Arrangements, Systems and Controls (SYSC) Handbook (together "the Remuneration Codes"). The Remuneration Policy is subject to review on an at least annual basis and was last updated in June 2022.

As part of its annual review process (which is currently underway) SAM UK is creating its own Board Remuneration Committee following Group changes which impacted its previous delegation arrangements to a SAM Global Remuneration Committee. No other material changes are anticipated to its Remuneration framework in 2023.

The SAM UK Board is responsible for approving the SAM UK Remuneration Policy and overseeing its application. The policy adopts a five pillar approach to Remuneration strategy:

Pillar 1 - Sound and Effective Risk Management

Pillar 2 - Long Term Sustainability

Pillar 3 - Competitiveness and Fairness

Pillar 4 - Adequate ratio between fixed and variable pay

Pillar 5 - Transparency

#### Salary and Benefits Structure

Salaries are designed based on the roles and responsibilities of the job and the knowledge and expertise required to carry them out. Salaries are periodically reviewed taking into account employee performance, external market data, internal relativity, equity & fairness and budget. Benefits and remuneration in kind are assigned based on responsibilities and accountabilities and includes regular and non-discretionary pension contributions. SAM UK may also provide additional remuneration elements to complement an employee package.

#### Variable Remuneration

Performance assessment and risk adjustment in relation to variable pay will be assessed in relation to each performance period. All employees are eligible for an annual bonus and for non-investment employees is expressed as target bonus based on a percentage of salary and is subject to a fixed to variable ratio of 1:2 for employees (in relation to annual bonus pool), except employees performing a control function (where the salary to bonus ratio is 1:1). For investment professional employees, the annual target bonus is achieved based on a balanced scorecard taking into account individual and team investment performance, role specific objectives and individual KPIs, including risk, regulator and conduct and compliance with SAM UK behaviours and subject to the 1:2 salary to bonus ratio. Target bonuses are adjusted according to SAM UK financial performance and to ensure it is affordable and does not create short or long term risks.

SAM UK may from time to time provide non-standard variable remuneration on a case by case basis, including guaranteed variable remuneration such as retention, termination or severance payments. Such remuneration will be at all times aligned with the five pillar approach and subject to governance approvals.

Consistent with the 5 pillars approach, SAM UK promotes effective risk management in the long-term interests of SAM UK and its customers, ensures alignment between risk and individual reward, supports positive behaviours in accordance with its values and designs its Remuneration Policy in such a way to discourage behaviours that can lead to misconduct and/or poor customer outcomes. Where misconduct failings or poor performance are identified, collective and/or individual adjustments on variable remuneration are considered and applied as appropriate.

## Manager's report (continued)

for the year ended 15 February 2023

### Significant Information (continued)

#### Variable Remuneration (continued)

SAM UK is required to identify individuals whose professional activities have a material impact on the risk profiles of the UK UCITS it manages (defined as "Remuneration Code Staff") and the UK UCITS Remuneration Code requires SAM UK to disclose specific information about those individuals. SAM UK's Remuneration Policy applies deferral arrangements where a proportion of variable pay for its Remuneration Code Staff is deferred, varying from 40% to 60% depending on the level of role and total compensation paid, and a certain proportion of payment is made in non-cash instruments. The Remuneration Policy has mechanisms in place to make risk adjustments for known future losses which are not accounted for at the time bonus levels are set, and also at an individual level, where a member of the bonus scheme is found to have acted inappropriately, or taken excessive risk, in order to achieve greater levels of reward.

Further information with respect to the Policy is available at [www.santanderassetmanagement.co.uk](http://www.santanderassetmanagement.co.uk).

The remuneration disclosure has been provided by SAM UK in its capacity as authorised fund manager of UK UCITS as at 31 December 2023. Remuneration information at an individual UK AIF or UCITS level is not readily available. The remuneration information has been calculated based on the application of SAM UK's Remuneration Policy during the year ended 31/12/2022. No adjustments were made collectively or individually due to misconduct, failings or other irregularities.

For the year ended 31/12/2022 *	Fixed Remuneration	Variable Remuneration	Total Remuneration	No. of Beneficiaries
Total remuneration awarded by SAM UK during the financial year.	£9,069,917	£7,921,066	£16,990,983	78
Remuneration awarded to Code Staff.**	£2,739,375	£4,908,913	£7,648,289	13

\* The remuneration disclosed above is in relation to the remuneration awarded by SAM UK during the financial year 1 January 2022 to 31 December 2022.

\*\* Employees of the Manager who have a material impact on the risk profile of the Scheme are Directors, certain Key Senior Management Roles and Investment Desk Heads, and are identified collectively as Remuneration Code Staff.

#### Assessment of Value

Under COLL 6.6.20R (1), Santander Asset Management UK limited, the Authorised Unit Trust Manager of the Fund, must conduct an assessment at least annually for each UK authorised Fund it manages of whether the fees set out in the prospectus are justified in the context of overall value delivered to unitholders. This assessment of value must, as a minimum, consider the following seven criteria as set out by the regulator:

- Quality of Service
- Performance
- Authorised Fund Manager Costs
- Economies of Scale
- Comparable Market Rates
- Comparable Services
- Classes of Units

SAM UK have chosen to publish our statements of value across our full range of UK authorised Funds in a separate composite report with a reference date of 31 December each year on our website at [www.santanderassetmanagement.co.uk](http://www.santanderassetmanagement.co.uk). Our composite reports will be available annually on 30 April.

## **Manager's report (continued)**

*for the year ended 15 February 2023*

### **Significant Information (continued)**

#### **Ukraine War**

In February 2022, Ukraine was invaded by Russia. In addition to the human cost, it caused a significant financial market downturn, that affected many areas of investments in the UK and globally, causing uncertainty over the supply of, energy, commodities and economic growth. This has also increased the existing uncertainty over inflation. Financial markets are likely to continue to be volatile with the risk of an adverse impact on the Fund.

#### **Post Balance Sheet Events**

##### Change to the application of swing pricing

The value of a holding in the Scheme can be diluted because of transaction costs occurring as a result of other investors buying and selling units in the Scheme. To protect the value of your holding against such dilution, SAM UK applies a "dilution adjustment" (also known as "swing pricing") to the price of the Scheme. In practice, the intent of this adjustment is to cover transaction costs so that existing unitholders are not disadvantaged by bearing any of these costs.

Swing pricing can be applied in two ways:

1. Non-dynamic swing pricing (also known as partial swing pricing), where the price of units in a fund is adjusted when net buy and sell trades exceed a pre-set threshold each day.
2. Dynamic swing pricing (also known as full swing pricing), where the price of units in a fund is adjusted when net buy and sell trades exceed zero each day - i.e. there is no pre-set threshold.

For the period ended 15 February 2023, non-dynamic swing pricing applied.

We wrote to shareholders on 23 March 2023 to advise them that we performed an end-to-end review of the way in which units in our UK fund range are priced and have updated our Unit Pricing Policy so that from 22 May 2023, dynamic swing pricing will be applied at all times. We believe that this is in the best interests of unitholders as it:

- (i) provides equal treatment of all investors, irrespective of the size of their transactions; and
- (ii) protects existing unitholders from dilution in the case of a consistent trend of net buy and sell trades which in isolation would not meet the pre-set threshold to apply a dilution adjustment, but could mount over time and cause dilution.

We recognise that applying dynamic swing pricing to the price of units in a Scheme at all times will mean that this unit price will swing more frequently than is currently the case applying non-dynamic swing pricing, and therefore could result in greater levels of performance volatility. However, the volatility historic testing we performed as part of the review referenced above showed that any such impact on the volatility of a Scheme's price would be minimal, which means in practice you are unlikely to observe any difference to a Scheme's performance.

Nonetheless we will keep under regular review the impact of the dynamic swing pricing policy on volatility, and the appropriateness of the policy in general.

#### **Manager's Statement**

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

## Statement of Authorised Unit Trust Manager's responsibilities

The Authorised Unit Trust Manager (the "Manager") of Santander Equity Income Unit Trust (the "Fund" or the "Trust") is responsible for preparing the annual report and the financial statements in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Fund's Trust Deed.

COLL requires the Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and the net revenue and the net capital gains or losses on the property of the Fund for the period and to comply with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

- select suitable accounting policies and then apply them consistently;
- make appropriate judgements and best estimates;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Manager is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Fund and enable it to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The Manager is also responsible for the system of internal controls, for safeguarding the assets of the Fund, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Manager's report which complies with the requirements of the Fund's Trust Deed, Prospectus and COLL.

In accordance with COLL 4.5.8R, the Annual Report and the audited financial statements were approved by the board of directors of the Manager of the Fund and authorised for issue on 12 June 2023.



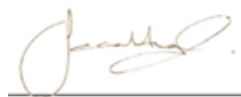
**Pak Chan**

**Director**

**For and on behalf of Santander Asset Management UK Limited**

**Manager of Santander Equity Income Unit Trust**

**12 June 2023**



**Jacqueline Hughes**

**Director**

## **Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of Santander Equity Income Unit Trust**

### **Statement of the Trustee's Responsibilities and Report of the Trustee**

The Trustee must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Fund documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

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

The Trustee must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Fund documents in relation to the investment and borrowing powers applicable to the Fund.

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

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

**NatWest Trustee and Depositary Services Limited**

**Edinburgh**

**February 2023**



# Independent auditors' Report to the Unitholders of Santander Equity Income Unit Trust

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of Santander Equity Income Unit Trust (the "Trust"):

- give a true and fair view of the financial position of the Trust as at 15 February 2023 and of the net revenue and the net capital losses on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual report, which comprise: the Balance sheet as at 15 February 2023; the Statement of total return and the Statement of change in net assets attributable to unitholders for the year then ended; the Distribution tables and the Notes to the financial statements which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Trust's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **Independent auditors' Report to the Unitholders of Santander Equity Income Unit Trust (continued)**

### **Report on the audit of the financial statements (continued)**

#### **Reporting on other information (continued)**

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

#### *Manager's Report*

In our opinion, the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the Manager for the financial statements*

As explained more fully in the Statement of Authorised Unit Trust Manager's responsibilities, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

##### *Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Trust, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Trust. Audit procedures performed included:

## **Independent auditors' Report to the Unitholders of Santander Equity Income Unit Trust (continued)**

### **Responsibilities for the financial statements and the audit (continued)**

- Discussions with the Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Manager's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Opinion on matter required by the Collective Investment Schemes sourcebook**

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

#### **Collective Investment Schemes sourcebook exception reporting**

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



**PricewaterhouseCoopers LLP**

**Chartered Accountants and Statutory Auditors**

**Glasgow**

**12 June 2023**

## **Investment commentary**

*for the year ended 15 February 2023*

### **Investment Objective**

The Fund's objective is to provide an income, with some potential for capital growth (to grow the value of your investment), over a 5+ year time horizon.

The Fund has a target income (although this is not guaranteed) of at least:

- 90% of the yield of the FTSE All Share Index TR (the "Target Benchmark") over a one year period; and
- 100% of the yield of the Target Benchmark over a rolling three year period.

### **Investment Policy**

The Fund is actively managed (by the appointed Sub-Investment Manager) and aims to achieve its objectives by investing at least 80% in a wide range of shares in companies listed, at the time of purchase, in the UK. Such companies may also be domiciled, incorporated or conduct a significant part of their business in the UK and can include Real Estate Investment Trusts (a type of property investment company) and other investment trusts. The Fund may also invest up to 20% in shares in companies listed, at the time of purchase, in developed markets outside of the UK. The Fund will at all times be invested between 85% and 100% in shares.

The Fund may also invest, globally in developed markets, up to 5% in investment grade bonds issued by companies, governments, government bodies and supranationals (excluding sub-investment grade bonds), and up to 10% in cash, cash like and other money market instruments. This flexibility may be used at times when, for example, the Sub-Investment Manager believes that the potential returns from exposure to shares generally, or shares in a specific company relative to bonds issued by that company, have become less attractive, or due to adverse market conditions.

The Fund will typically invest directly. However, the Fund can also invest indirectly:

- by investing up to 10% in units of Actively Managed and/or Passively Managed Collective Investment Schemes. These Collective Investment Schemes may be managed by the Manager, any Sub-Investment Manager or other companies (including within the Santander Group). The Collective Investment Schemes may invest in a broader range of assets than the Fund (for example they may have exposure to commodities) and may use derivatives differently; and
- in property through investment in Real Estate Investment Trusts primarily to generate income.

The Fund may use Derivatives for Efficient Portfolio Management (including hedging), where Derivatives are used to either reduce risk, reduce cost, or to generate additional capital or income without materially affecting the risk profile of the Fund.

### **Investment Strategy and Process**

The Manager's investment philosophy is that the Fund's investment objectives can be achieved from appointing a skilled investment manager which focuses on long term investment views. The Manager has appointed one Sub-Investment Manager, based on their expertise in the selection of shares in companies, to manage the entire Fund and has put in place the investment guidelines which the Sub-Investment Manager must follow.

The Manager has in place an internal analysis and due diligence process to monitor the Sub-Investment Manager's management of the Fund, and it can change the Sub-Investment Manager at its discretion if it believes that this is in the best interests of Unitholders in the Fund.

The Sub-Investment Manager actively manages the Fund. This means that it aims to achieve the Fund's investment objectives by using its discretion to select investments that it believes will deliver income, in particular shares in companies which pay dividends.

## **Investment commentary (continued)**

*for the year ended 15 February 2023*

### **Investment Strategy and Process (continued)**

As part of its investment process the Sub-Investment Manager will consider a number of factors with a focus on:

- Quality: companies that have, for example, consistent profits and strong cash flow, low debt and actual or potential asset growth;
- Momentum: a company's share price has performed well over a short period and is expected to continue to do so; and
- Value: a company's share price is lower than expected based on the company's characteristics and financial results.

To help inform its investment views and in addition to its own analysis, the Sub-Investment Manager uses external research as well as a third party screening process which identifies and ranks some of the companies the Fund may invest in based on quality, momentum and value.

An assessment will be completed by the Sub-Investment Manager on investment opportunities before investment decisions are made. Based on its investment views, the Sub-Investment Manager will select shares in companies which it believes will best achieve the Fund's investment objectives. In practice this means the Fund's portfolio will typically consist of shares in companies which offer attractive dividend prospects (with the aim of providing income for the Fund) and also predominantly have good quality and momentum characteristics (which provides the potential for capital growth for the Fund).

While the Sub-Investment Manager will favour long term investments and avoid a high turnover of the Fund's portfolio and associated costs which can negatively impact the Fund's performance, it can change the Fund's investments, including to hold shorter term investments, where it believes these will provide income from dividends.

The companies the Sub-Investment Manager invests in can be of any size, however it will have a bias to investing in medium sized companies (for example those companies in the FTSE 250 Index). This is because the Sub-Investment Manager believes that these companies have good quality and momentum characteristics as well as attractive dividend prospects.

Although the Sub-Investment Manager has discretion to select investments, it will typically manage the Fund with a Tracking Error (against the Target Benchmark) of up to 6%. This means that although the Sub-Investment Manager does not have to invest in the same assets or in the same amounts, and may hold significantly fewer assets, than those which make up the Target Benchmark, some of the Fund's investments will reflect the constituents of the Target Benchmark. The Tracking Error of the Fund's portfolio may occasionally (for instance during volatile market conditions) be higher than 6% provided this is consistent with the investment strategy of the Fund.

### **Further Information**

The Fund's target annual income over a one year period will be measured each year from 16 February to its annual accounting date on 15 February. There is no guarantee that the Fund will achieve its income, or that the distributions will not change throughout the year.

The Target Benchmark has been selected for the Fund as it is representative of shares listed in the UK and therefore broadly in line with the investment policy of the Fund.

The Target Benchmark is provided by FTSE International Limited, which as at the date of this Prospectus is included in the public register of administrators and benchmarks established and maintained by the FCA.

If the Manager considers that the Fund's Target Benchmark should be amended as a result of changes to, or evolution of, external market conditions and provided there is no material change to the risk profile of the Fund, it may implement this change after providing Unitholders with reasonable notice in advance.

The base currency of the Fund is UK Sterling.

## Investment commentary (continued)

for the year ended 15 February 2023

### Sub-Investment Manager

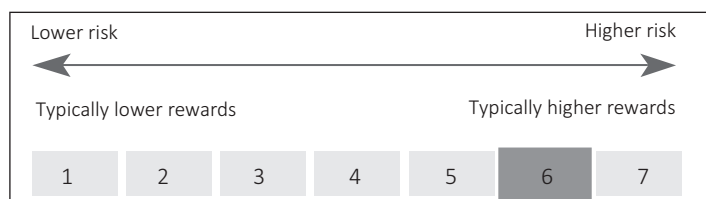
Schroder Investment Management Limited

During the period under review the ACD monitored the investment activities of the appointed Sub-Investment Manager to ensure consistent application of investment techniques, processes and compliance with the terms of their Investment Management Agreement.

### Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of adverse effects from changes in interest rates, foreign exchange and stock market fluctuations. The Manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective. The Fund does not borrow in the normal course of business.

### Risk and Reward Indicator



The risk and reward indicator shown above is based on historical data which may not be a reliable indication for the future risk profile of the Fund.

The lowest risk and reward indicator does not mean risk free.

The risk and reward indicator shown is not guaranteed and may change over time.

## Investment commentary (continued)

for the year ended 15 February 2023

### Yield

1 year Historic Yield	
Santander Equity Income R Income Units	4.86%
Santander Equity Income R Accumulation Units	4.76%
FTSE All Share Index TR	3.37%

3 Year Historic Yield - Average	
Santander Equity Income R Income Units	4.54%
Santander Equity Income R Accumulation Units	4.45%
FTSE All Share Index TR	3.14%

Please note that the Benchmark was reclassified from Constraint to Target on 30 October 2020.

Source BNY Mellon Asset Servicing – The sum of income payments announced in the previous 12 months, divided by the fund price as at the end of the fund accounting year (Historical Yield).

Source FTSE Russell – Index dividend yield as at the end of the fund accounting year.

### Capital Growth

Percentage price change from 15 February 2022 to 15 February 2023	
Santander Equity Income R Income Units	-1.37%
Santander Equity Income R Accumulation Units	-1.35%

Percentage price change from 15 February 2018 to 15 February 2023	
Santander Equity Income R Income Units	23.45%
Santander Equity Income R Accumulation Units	23.79%

Source Lipper - NAV at noon, bid to bid, net of fees, revenue reinvested.

Past performance is not a guarantee of future performance. The value of investments and the revenue from them can go down as well as up and investors may not get back the amount originally invested.

## Investment commentary (continued)

for the year ended 15 February 2023

### Market Review

UK shares proved one of the few bright spots for global stock markets in 2022, with the FTSE 100 Index of the UK's biggest companies eking out gains even as the shares of the US, Europe, Japan, China, and many emerging markets tumbled<sup>1</sup>.

Indeed, the performance of UK shares would be strong enough for the FTSE 100 to hit a record high in early February 2023<sup>2</sup>. Stock markets worldwide rose in the first two months of this year<sup>3</sup> as signs of slowing inflation resulted in less aggressive interest rate hikes by central banks. This improved investor sentiment follows a year that was marked by volatility and turbulent markets.

Investors have been encouraged by the relaxation of COVID-19 restrictions in China, spurring hopes of a boost in demand and a restoration of previously disrupted supply chains<sup>4</sup>. The weakening of the pound against the dollar has also helped bolster the overseas earnings of the large companies listed on the FTSE 100<sup>5</sup> – about 75% of which earn income from abroad<sup>6</sup>.

The war in Ukraine has disrupted oil supply chains, boosting the profits and share prices of oil giants such as Shell<sup>7</sup> and BP<sup>8</sup>.

The International Monetary Fund (IMF) raised its global growth forecast for 2023, spurred on by the unexpected resilience of demand for goods and services in the United States and Europe, paired with the reopening of China's economy<sup>9</sup>.

Share buybacks (where companies buy their shares and then cancel them to reduce the number in circulation) for companies on the FTSE 100 also surged in 2022, boosting share prices<sup>10</sup>.

Conversely, the FTSE 250 Index – which tracks the 101st to 350th largest companies listed on the London Stock Exchange – declined over the 12 month-period in a reflection of the UK's poor economic outlook<sup>11</sup>.

The Bank of England (BoE) expects the UK economy to enter into a recession for a prolonged period and that consumer inflation will only fall below its 2% target in two to three years<sup>12</sup>. It raised interest rates from 3.5% to 4% – their highest level since 2008 – at the beginning of February, but indicated that future rate increases may be less aggressive<sup>13</sup>. UK inflation remains in the double figures, even after easing more than expected in January, with pressure still expected from labour shortages and the effects of Brexit<sup>14</sup>.

Small and medium-sized companies were left reeling in September 2022 after former UK Prime Minister Liz Truss' government announced a bevy of unfunded tax cuts, sending stock markets into a tailspin and driving the pound to a record low against the dollar<sup>15</sup>. At least £300 billion was wiped off UK stock and bond markets in Truss' first month in office alone<sup>16</sup>.

While the new government led by incoming Prime Minister Rishi Sunak unwound the cuts in Truss' "mini-budget" and announced tax increases<sup>17</sup>, helping to stabilise markets, these measures are expected to burden households that are already facing a cost-of-living-crisis<sup>18</sup>.

In the US, the Federal Reserve (Fed) increased interest rates by 0.25% at its January meeting<sup>19</sup>. This marked the smallest increase since the central bank started hiking rates last March, following a 0.5% hike in December and 0.75% increases earlier in the year<sup>20</sup>. Fed Chair Jerome Powell indicated in February that inflation has not yet been fully contained, and that a "couple" more interest rate hikes may be forthcoming<sup>21</sup>.

The US economy is proving resilient despite interest rates sitting at their highest level since 2007<sup>22</sup>. The job market is still strong, with unemployment in January at a 54-year-low<sup>23</sup>, retail sales running ahead of expectations<sup>24</sup>, and consumer prices slowing less than expected<sup>25</sup>.

<sup>1</sup> Reuters, 30 December 2022

<sup>2</sup> Guardian, 3 February 2023

<sup>3</sup> MSCI ACWI

<sup>4</sup> Financial Times, 30 January 2023

<sup>5</sup> New York Times, 26 September 2022

<sup>6</sup> Schroders, 28 February 2023

<sup>7</sup> BBC News, 2 February 2023

<sup>8</sup> BBC News, 7 February 2023

<sup>9</sup> Reuters, 31 January 2023

<sup>10</sup> Yahoo! Finance, 4 February 2022

<sup>11</sup> Bloomberg, 4 February 2023

<sup>12</sup> Bank of England, 15 December 2022

<sup>13</sup> Reuters, 2 February, 2023

<sup>14</sup> Reuters, February 15 2023

<sup>15</sup> CNN, 23 September 2022

<sup>16</sup> Bloomberg, 6 October 2022

<sup>17</sup> The Guardian, 17 November 2022

<sup>18</sup> S&P Global, 22 November 2022

<sup>19</sup> Federal Reserve, 1 February 2023

<sup>20</sup> CNBC, 14 December 2022

<sup>21</sup> Reuters, 1 February 2023

<sup>22</sup> Sky News, 14 December 2022

<sup>23</sup> Reuters, 3 February 2023

<sup>24</sup> Trading Economics, 15 February 2023

<sup>25</sup> CNBC, 14 February 2023



## Investment commentary (continued)

for the year ended 15 February 2023

### Market Review (continued)

The European Central Bank (ECB) kept raising rates steadily, with a 0.5% hike in February and a commitment to repeat this increase in March<sup>26</sup>. These developments followed four hikes in 2022, bringing eurozone rates out of negative territory for the first time since 2014<sup>27</sup>. The European Union is poised to narrowly avoid a recession in 2023 as inflation eases and gas prices drop, according to the European Commission – although this outlook is highly dependent on how the war in Ukraine will develop<sup>28</sup>.

### Performance Review and Investment Activity (Reporting Period)

Over the 12 months to 15 February 2023, the Fund delivered on its income goal of meeting at least 90% of the yield of its Target Benchmark – The FTSE All Share Index. Over this period, the R Income share class delivered a yield of 4.76%, the R Accumulation share class delivered 4.86% and the Target Benchmark delivered 3.37%.

Over the period all holdings paid a dividend. Almost every sector in the FTSE All-Share Index delivered dividend growth, with the banking sector being the most significant driver due to rising base rates, while the weakness in Sterling provided an additional boost to payments declared in US dollars.

Special dividends were lower, mainly due to mining companies and weakness in major commodities, but also due to share buybacks being used as an alternative route to return surplus capital to shareholders. Within the Santander Equity Income Portfolio, the top 5 dividend payers were Rio Tinto, Diversified Energy Company, Central Asia Mining, Polar Capital and Headlam Group.

The Sub-Investment Manager of this Fund bought shares in Rightmove and Howden Joinery based on the view that a downturn in the share prices of domestically focused but high-quality companies offered an investment opportunity. The purchase was funded by selling holdings in Central Asia Metals, Kingfisher, M&G, Mondi, Supermarket Income, and Warehouse REIT.

Over the 3 Years to 15 February 2023, the Fund delivered on its income goal of meeting at least 100% of the yield of its Target Benchmark – The FTSE All Share Index. Over this period, the R Income share class delivered an average annual yield of 4.54%, the R Accumulation share class delivered 4.45% and the Target Benchmark delivered 3.14%.

Over the past five years to 15 February 2023, the R Accumulation share class delivered a cumulative return of 23.79%, the R Income share class made a 23.45% cumulative return.

<sup>26</sup> European Central Bank, 2 February 2023

<sup>27</sup> European Central Bank

<sup>28</sup> European Commission, 13 February 2023

## **Investment commentary (continued)**

*for the year ended 15 February 2023*

### **Market Outlook**

The Sub-Investment Manager remains positive regarding the prospect of UK shares despite gloomy forecasts for the UK economy.

This is partly due to the fact that many London-listed companies do much of their business overseas. Companies listed on the FTSE 250 Index make about 50% of their annual revenues abroad and this trend is yet more pronounced in the FTSE 100 Index, where companies make roughly 75% of their annual revenues in other countries<sup>29</sup>.

In its updated outlook, released at the end of January, the IMF noted that the global economy had shown much resilience and that 2023 may mark a turning point, with economic growth accelerating and inflation decreasing<sup>30</sup>.

The UK stock market continues to trade at a significant discount when compared to the valuations of its closest peers, despite the fact that it was one of the top-performing stock markets in 2022<sup>31</sup>. Given that the Fund favours UK shares, this may position it at an advantage.

The Sub-Investment Manager continues to believe that investing in high-quality companies with a proven track record is the correct long-term strategy.

**Robert McElvanney**

**Head of UK Front Office**

**For and on behalf of Santander Asset Management UK Limited**

**March 2023**

<sup>29</sup> Schroders, 28 February 2023

<sup>30</sup> IMF, 30 January 2023

<sup>31</sup> Schroders, 28 February 2023

## Summary of material portfolio changes

for the year ended 15 February 2023

Purchases	Cost £	Note	Sales	Proceeds £	Note
GSK	3,021,926		Orron Energy	3,752,036	
Total Energies	2,361,956		Central Asia Metals	1,694,386	
HSBC	2,254,956		Mondi	1,551,431	
SSE	1,346,029		Unilever	1,514,608	
Aker	1,268,927		Anglo American	1,462,505	
Diageo	1,174,343		Associated British Foods	1,145,640	
Hollywood Bowl	1,041,732		Warehouse Reit	1,024,066	
Howden Joinery	899,199		Polar Capital Holdings	886,418	
Greencoat UK Wind	893,372		United Utilities	860,989	
Ashtead	744,040		Diversified Energy	831,700	
DNB Bank	714,859		National Grid	808,720	
Bloomsbury Publishing	712,384		DNB Bank	743,528	
IMI	642,328		Rio Tinto	739,965	
Rightmove	593,790		Lundin Energy	733,449	
Sirius Real Estate	558,568		M&G	723,621	
4imprint	557,189		Supermarket Income REIT	684,810	
Vertu Motors	264,416		3i	521,134	
Dunelm	262,092		RELX	486,573	
Gamma Communications	193,854		Kingfisher	474,452	
Diversified Energy	176,681		Strix	469,556	
Total cost of purchases for the year	<u>19,803,712</u>	16	Total proceeds from sales for the year	<u>25,174,499</u>	16

## Portfolio statement (unaudited)

as at 15 February 2023

	Holding or nominal value of positions at 15 February	Market value £	Percentage of total net assets %
<b>Investment</b>			
<b>Equity 100.03% (101.34%)</b>			
<b>Aerospace and Defense 1.12% (0.85%)</b>			
QinetiQ	388,498	1,333,325	1.12
		<hr/> 1,333,325	<hr/> 1.12
<b>Banks 7.80% (6.65%)</b>			
Barclays	335,770	579,472	0.49
Close Brothers	193,480	1,965,757	1.66
DNB Bank	217,958	3,491,548	2.94
HSBC	405,706	2,483,732	2.09
Secure Trust Bank	103,602	741,790	0.62
		<hr/> 9,262,299	<hr/> 7.80
<b>Construction and Materials 1.48% (1.89%)</b>			
Eurocell	537,853	790,644	0.67
Severfield	839,447	528,852	0.44
Tyman	166,381	435,918	0.37
		<hr/> 1,755,414	<hr/> 1.48
<b>Electronic and Electrical Equipment 2.22% (3.56%)</b>			
IMI	49,053	771,113	0.65
Strix	616,440	596,097	0.50
XP Power	48,862	1,270,412	1.07
		<hr/> 2,637,622	<hr/> 2.22
<b>Energy 8.00% (7.41%)</b>			
Aker	134,489	3,100,140	2.61
Diversified Energy	1,906,790	2,002,129	1.69
Total Energies	82,370	4,395,460	3.70
		<hr/> 9,497,729	<hr/> 8.00
<b>Food, Beverage and Tobacco 4.50% (5.12%)</b>			
Associated British Foods	79,471	1,526,241	1.29
Cranswick	39,036	1,174,203	0.99
Diageo	30,203	1,072,509	0.90
Hilton Food	230,635	1,568,318	1.32
		<hr/> 5,341,271	<hr/> 4.50

## Portfolio statement (continued)

as at 15 February 2023

Investment	Holding or nominal value of positions at 15 February	Market value £	Percentage of total net assets %
<b>General Financial 8.62% (9.97%)</b>			
3i	221,708	3,708,066	3.12
Hargreaves Lansdown	191,082	1,688,401	1.42
OSB	647,312	3,641,130	3.07
Polar Capital Holdings	222,931	1,201,598	1.01
		10,239,195	8.62
<b>Household Goods and Home Construction 8.25% (9.86%)</b>			
Headlam	283,260	931,925	0.79
Redrow	334,669	1,723,545	1.45
The Berkeley	77,558	3,298,542	2.78
Unilever	89,925	3,837,100	3.23
		9,791,112	8.25
<b>Industrial Engineering 1.23% (1.33%)</b>			
Somero Enterprises	360,173	1,458,701	1.23
		1,458,701	1.23
<b>Industrial Materials 1.92% (3.28%)</b>			
Bunzl	74,113	2,285,645	1.92
		2,285,645	1.92
<b>Industrial Support Services 4.66% (3.71%)</b>			
Ashtead	32,624	1,862,178	1.57
FDM	116,087	929,857	0.78
RS Group	122,513	1,230,031	1.04
Sthree	341,376	1,508,882	1.27
		5,530,948	4.66
<b>Insurance 4.48% (5.37%)</b>			
Admiral	32,839	735,922	0.62
Legal & General	1,777,319	4,587,260	3.86
		5,323,182	4.48

## Portfolio statement (continued)

as at 15 February 2023

Investment	Holding or nominal value of positions at 15 February	Market value £	Percentage of total net assets %
<b>Media 5.33% (3.83%)</b>			
4imprint	15,198	687,710	0.58
Bloomsbury Publishing	178,645	777,106	0.65
RELX	198,654	4,863,050	4.10
		6,327,866	5.33
<b>Pharmaceuticals and Biotechnology 5.85% (3.09%)</b>			
Bioventix	21,801	893,841	0.75
GSK	209,696	3,054,851	2.57
Roche Holding	12,016	2,997,375	2.53
		6,946,067	5.85
<b>Precious Metals and Mining 6.48% (9.02%)</b>			
Anglo American	90,127	2,904,793	2.45
Rio Tinto	79,383	4,791,558	4.03
		7,696,351	6.48
<b>Real Estate 4.53% (5.41%)</b>			
Greencoat UK Wind	573,557	933,177	0.78
LondonMetric Property	394,751	755,159	0.64
Rightmove	110,152	650,998	0.55
Sirius Real Estate	2,001,664	1,757,461	1.48
Tritax Big Box	843,832	1,278,405	1.08
		5,375,200	4.53
<b>Retailers 6.45% (5.63%)</b>			
Dunelm	235,154	2,772,466	2.33
Howden Joinery	123,595	886,176	0.75
Next	36,778	2,503,846	2.11
Vertu Motors	2,468,673	1,493,547	1.26
		7,656,035	6.45
<b>Technology 3.22% (3.81%)</b>			
Kainos	44,918	668,829	0.56
Softcat	248,851	3,152,942	2.66
		3,821,771	3.22

## Portfolio statement (continued)

as at 15 February 2023

Investment	Holding or nominal value of positions at 15 February	Market value £	Percentage of total net assets %
<b>Telecommunications 0.60% (0.52%)</b>			
Gamma Communications	61,108	710,075	0.60
		<u>710,075</u>	<u>0.60</u>
<b>Travel and Leisure 5.46% (3.89%)</b>			
Domino's Pizza	173,315	547,329	0.46
Games Workshop	45,742	4,274,590	3.60
Hollywood Bowl	698,347	1,655,082	1.40
		<u>6,477,001</u>	<u>5.46</u>
<b>Utilities 7.83% (7.14%)</b>			
Drax	496,540	3,301,991	2.78
National Grid	226,212	2,392,192	2.01
SSE	140,410	2,434,007	2.05
United Utilities	111,743	1,174,978	0.99
		<u>9,303,168</u>	<u>7.83</u>
Total Equities		<u>118,769,977</u>	<u>100.03</u>
<b>Total portfolio of investments</b>		<b>118,769,977</b>	<b>100.03</b>
<b>Net other liabilities</b>		<b>(33,866)</b>	<b>(0.03)</b>
<b>Total net assets</b>		<b>118,736,111</b>	<b>100.00</b>

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distributions as at 15 February 2022.

## Comparative tables

Change in net asset value per unit	R Income Units			R Accumulation Units		
	2023 p	2022 p	2021 p	2023 p	2022 p	2021 p
Opening net asset value per unit	220.90	212.52	227.37	214.78	196.61	202.31
Return before operating charges	(2.89)	21.21	(6.03)	(2.73)	19.30	(4.76)
Operating charges	(1.10)	(1.25)	(1.04)	(1.09)	(1.13)	(0.94)
Return after operating charges	(3.99)	19.96	(7.07)	(3.82)	18.17	(5.70)
Distributions	(10.22)	(11.58)	(7.78)	(10.05)	(10.84)	(6.99)
Retained distributions on accumulation units	-	-	-	10.05	10.84	6.99
Closing net asset value per unit	206.69	220.90	212.52	210.96	214.78	196.61
**after direct transaction costs of	0.17	0.30	0.31	0.17	0.28	0.28
<b>Performance</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Return after charges*	(1.81)%	9.39%	(3.11%)	(1.78)%	9.24%	(2.82%)
Closing net asset value (£'s)	115,289,762	127,133,300	126,278,813	3,446,349	2,787,065	1,446,696
Closing number of units	55,779,462	57,552,387	59,420,628	1,633,633	1,297,650	735,804
Operating charges	0.54%	0.54%	0.54%	0.54%	0.54%	0.54%
Direct transaction costs**	0.08%	0.13%	0.16%	0.08%	0.13%	0.16%
	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Highest unit price	227.81	242.5	227.6	221.50	228.1	202.5
Lowest unit price	172.02	208.3	141.9	172.42	192.7	126.3

\* The performance figures are calculated by taking the value of the unit class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figures quoted in the Investment commentary. The Investment commentary performance figure is calculated using the last available published price for the given unit class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Fund pricing policy, while the price per the financial statements values the Fund on a bid-price basis.

\*\* Direct transaction costs include broker commissions and taxes paid by the Fund on each purchase or sale transaction, some of the direct transaction costs for the period were recovered directly from investors joining and leaving the Fund.



## Financial Statements - Santander Equity Income Unit Trust

### Statement of total return

for the year ended 15 February 2023

	Note	2023		2022	
		£	£	£	£
Income					
Net capital (losses)/gains	3		(7,672,063)		5,697,844
Revenue	4	6,160,581		7,097,846	
Expenses	5	(628,605)		(719,353)	
Interest payable and similar charges	6	(1,526)		(4,109)	
Net revenue before taxation		5,530,450		6,374,384	
Taxation	7	(175,952)		(174,161)	
Net revenue after taxation			5,354,498		6,200,223
Total return before distributions			(2,317,565)		11,898,067
Distributions	8		(5,949,238)		(6,876,094)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>(8,266,803)</b>		<b>5,021,973</b>

### Statement of change in net assets attributable to unitholders

for the year ended 15 February 2023

		2023		2022	
		£	£	£	£
Opening net assets attributable to unitholders			129,920,365		127,725,509
Amounts receivable on issue of units		6,127,045		6,299,073	
Amounts payable on cancellation of units		(9,197,374)		(9,246,914)	
			(3,070,329)		(2,947,841)
Dilution adjustment			(6,795)		6,167
Change in net assets attributable to unitholders from investment activities			(8,266,803)		5,021,973
Retained distributions on accumulation units			159,673		114,557
<b>Closing net assets attributable to unitholders</b>			<b>118,736,111</b>		<b>129,920,365</b>

## Balance sheet

as at 15 February 2023

	Note	2023 £	2022 £
Assets:			
Fixed assets:			
Investments		118,769,977	131,658,196
Current assets:			
Debtors	9	1,153,826	247,119
Cash and bank balances	10	1,497,143	1,998,355
Total assets		<u>121,420,946</u>	<u>133,903,670</u>
Liabilities:			
Creditors			
Bank overdrafts	10	-	(1,088,398)
Distributions payable	8	(2,114,080)	(2,496,737)
Other creditors	11	(570,755)	(398,170)
Total liabilities		<u>(2,684,835)</u>	<u>(3,983,305)</u>
<b>Net assets attributable to unitholders</b>		<u>118,736,111</u>	<u>129,920,365</u>

## Notes to the financial statements

for the year ended 15 February 2023

### 1. Accounting policies

#### a. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with FRS 102 ("The Financial Reporting Standards applicable in the UK and Republic of Ireland") and the Statement of Recommended Practice ("SORP") for the Financial Statements of UK Authorised Funds issued by the Investment Management Association (IMA) in May 2014.

As described in the Manager's Report on page 2, the Manager continues to adopt the going concern basis in preparation of the financial statements.

#### b. Valuation of investments

Fair Value Hierarchy - Valuation techniques

Level 1 - Quoted prices for identical assets and liabilities in active markets that the entity can access at measurement date. This includes equities, government bonds, options, futures and exchange traded funds.

Level 2 - Observable inputs, such as publicly available market data about actual events and transactions. This includes Collective Investment Scheme securities, fixed interest securities excluding government bonds and forward foreign exchange trades.

Level 3 - Unobservable Inputs where relevant observable market data is not available. This includes suspended or de-listed assets.

All investments are valued at market value at close of business on 15 February 2023. Market value is defined by the SORP as fair value, which generally is the bid value of each security.

#### c. Foreign exchange

The base currency of the Fund is Sterling which is taken to be the Fund's functional currency, due to this being the principal economic environment.

All transactions in foreign currencies are converted into Sterling at the rates of exchange ruling at the dates of such transactions.

The resulting exchange differences are disclosed in the Statement of total return. Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate ruling on that date.

#### d. Revenue

Revenue is recognised in the Statement of total return on the following basis:

Dividends are recognised as revenue on the date when the securities are quoted ex-dividend.

Income distributions from UK Real Estate Investment Trusts ('UK REITs') is split into two parts, a Property Income Distribution (PID) made up of rental revenue and a non-PID element, consisting of non-rental revenue. The PID element is subject to corporate tax as schedule A revenue, while the non-PID element is treated as franked revenue.

Interest on bank deposits is recognised on an earned basis.

Ordinary scrip dividends are recognised wholly as revenue on the basis of the market values of the shares on the date that they are quoted ex-dividend. Where an enhancement is offered the amount by which the market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is taken to capital. The ordinary element of scrip dividends is treated as revenue and forms part of the Fund's distributions.

Revenue is allocated to the unit class on a daily basis in line with the apportionment factor which is calculated daily.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 1. Accounting policies (continued)

#### e. Expenses

All expenses, other than those relating to the purchase and sale of investments, are paid out of the scheme property of the Funds as they are incurred, as detailed in the Prospectus. These can be paid from revenue or capital dependent on the specific investment objective of the Fund. Expenses payable from the revenue of the Fund are included in the final distribution. Expenses payable from capital property of the Fund may constrain the capital growth of the Fund. Expenses are charged to the relevant unit class against revenue and are then reallocated to capital.

Audit fees relates to statutory audit of the Funds financial statements.

#### f. Taxation

Tax payable on revenue is recognised as an expense in the period in which revenue arises. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Overseas revenue received is predominately exempt from UK Corporation tax. The exempt overseas revenue and the tax implication is included within the Notes to the financial statements.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates or substantively enacted tax rates by the balance sheet date are used in the determination of current and deferred taxation.

Tax payable on revenue is calculated based on the revenue allocated to the specific unit class.

#### g. Efficient portfolio management

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts are used for efficient portfolio management purposes. Where such instruments are used to protect or enhance revenue and the circumstances support it, the revenue or expenses derived there from are included in the Statement of total return as revenue related items. Where such instruments are used to protect or enhance capital and the circumstances support it, the gains and losses derived there from are included in the Statement of total return as capital related items.

#### h. Cash flow statement

The Fund is not required to produce a cash flow statement as it meets the exemption criteria set out in FRS 102 7.1A as the Fund's investments are highly liquid and carried at market value and a Statement of change in net assets is provided for the Fund.

#### i. Dilution Adjustment

The Manager may require a dilution adjustment on the sale and redemption of units if, in its opinion, the existing unitholders (for sales) or remaining unitholders (for redemptions) might otherwise be adversely affected. In particular, the dilution adjustment may be charged in the following circumstances: where the Company property is in continual decline where a Fund is experiencing large levels of net sales relative to its size; where a Fund is experiencing net sales or net redemptions on a day equivalent to 3% or more of the size of that Fund on that day; in any case where the Manager is of the opinion that the interests of remaining unitholders require the imposition of a dilution adjustment.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 2. Distribution policies

#### a. Basis of distribution

The distribution policy of the Fund is to distribute all available revenue after deduction of expenses and taxation payable from revenue. Currently all expenses, other than management fees, are payable from revenue. Distributions attributable to income units are paid to unitholders. Distributions attributable to accumulation units are re-invested in the Fund on behalf of the unitholders.

#### b. Revenue

All revenue is included in the final distribution of the Fund, with reference to the Accounting policies for revenue disclosed in note 1d.

#### c. Expenses

Expenses payable from the revenue of the Fund are included in the final distribution, with reference to the Accounting policies for expenses in note 1e.

#### d. Allocation of revenue and expenses to multiple unit classes

All revenue and expenses which are directly attributable to a particular unit class are allocated to that unit class. All revenue and expenses which are attributable to the Fund are allocated to the Fund and are normally allocated across the unit classes pro rata to the net asset value of each class on a daily basis.

3. Net capital (losses)/gains	2023	2022
	£	£
Non-derivative securities	(7,647,658)	5,709,517
Currency losses	(15,140)	(598)
Transaction charges	(9,265)	(11,075)
Net capital (losses)/gains	<u>(7,672,063)</u>	<u>5,697,844</u>

4. Revenue	2023	2022
	£	£
UK dividends	4,372,372	5,492,726
Overseas UK tax exempt revenue	1,520,800	1,252,679
Unfranked revenue	148,682	121,886
Scrip dividends	114,560	220,433
Bank interest	4,167	10,122
Total revenue	<u>6,160,581</u>	<u>7,097,846</u>

## Notes to the financial statements (continued)

for the year ended 15 February 2023

5. Expenses	2023	2022
	£	£
Payable to the Manager, associates of the Manager and agents of either of them:		
Management charge	<u>592,733</u>	<u>681,086</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fees	<u>14,226</u>	<u>16,346</u>
Other expenses:		
Audit fees	17,193	17,090
Safe custody fees	3,299	3,212
FCA fee	129	83
Tax service fees	<u>1,025</u>	<u>1,536</u>
	<u>21,646</u>	<u>21,921</u>
Total expenses	<u><u>628,605</u></u>	<u><u>719,353</u></u>
6. Interest payable and similar charges	2023	2022
	£	£
Overdraft interest	<u><u>1,526</u></u>	<u><u>4,109</u></u>

## Notes to the financial statements (continued)

for the year ended 15 February 2023

7. Taxation	2023	2022
	£	£
<b>a. Analysis of the tax charge for the year</b>		
Irrecoverable income tax	–	20,615
Overseas withholding tax	175,952	153,546
Total tax charge (7b)	<u>175,952</u>	<u>174,161</u>

### b. Factors affecting the tax charge for the year

The tax assessed for the period is lower (2022 - lower) than the standard rate of UK corporation tax for a unit trust of 20% (2022 - 20%) when applied to the net revenue before taxation. The differences are explained below:

Net revenue before taxation	<u>5,530,450</u>	<u>6,374,384</u>
Corporation tax @ 20%	1,106,090	1,274,877
Effects of:		
Revenue exempt from UK corporation tax	(1,201,547)	(1,393,167)
Irrecoverable income tax	–	20,615
Management expenses not relieved	95,457	118,290
Overseas withholding tax	175,952	153,546
Total tax charge (note 7a)	<u>175,952</u>	<u>174,161</u>

At the year end there is a potential deferred tax asset of £9,094,432 (2022 - £8,998,975) in relation to surplus management expenses and non-trade loan relationship deficits. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the year or prior year.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on cancellation of units, and comprise:

	2023	2022
	£	£
Interim income distribution paid	3,623,248	4,206,564
Interim accumulation distributions paid	97,658	60,786
Final income distribution payable	2,114,080	2,496,737
Final accumulation distributions payable	62,015	53,771
	<u>5,897,001</u>	<u>6,817,858</u>
Equalisation:		
Amounts deducted on cancellation of units	122,841	137,771
Amounts added on issue of units	(70,604)	(79,535)
Distributions	<u>5,949,238</u>	<u>6,876,094</u>

Reconciliation between net revenue and distributions:

Net revenue after taxation per Statement of total return	5,354,498	6,200,223
Add:		
Undistributed revenue brought forward	–	23
Expenses paid from capital	624,105	697,005
Deduct:		
Capital tax relief	(29,365)	(21,157)
Distributions	<u>5,949,238</u>	<u>6,876,094</u>

Details of the distribution per unit are disclosed in the distribution table on page 39.

### 9. Debtors

	2023	2022
	£	£
Amounts receivable on issue of units	1,609	54,835
Accrued revenue	256,495	60,330
Recoverable overseas withholding tax	115,945	131,954
Sales awaiting settlement	779,777	–
Total debtors	<u>1,153,826</u>	<u>247,119</u>



## Notes to the financial statements (continued)

for the year ended 15 February 2023

10. Cash and bank balances	2023	2022
	£	£
Cash and bank balances	1,497,143	1,998,355
Total cash and bank balances	<u>1,497,143</u>	<u>1,998,355</u>
Bank overdraft*	<u>-</u>	<u>1,088,398</u>

As at 15 February 2023, the weighted average of the floating interest rate on bank balances was 0.28% (2022 - 0.01%).

\* The bank overdrafts only incur overdraft interest on a net overdraft position as a compensated interest grouping agreement is in place.

11. Other creditors	2023	2022
	£	£
Amounts payable on cancellation of units	214,309	166,374
Accrued expenses	94,354	231,796
Purchases awaiting settlement	262,092	-
Total other creditors	<u>570,755</u>	<u>398,170</u>

### 12. Risk disclosures

The main risks from the Fund's holding of financial instruments, together with the Manager's policy for managing these risks, are disclosed below:

#### a) Market price risk

The Fund invests at least 80% in a wide range of shares issued by listed companies domiciled, incorporated or which conduct a significant part of their business in the UK, generally comprised within the Target Benchmark FTSE All Share Index. The main risk arising from the Fund's financial instruments is market price. The value of securities is not fixed and may go down as well as up. This may be the result of specific factors affecting the value of individual securities held or may be due to general market factors (such as government policy or the health of the underlying economy). Adherence to investment guidelines and to investment and borrowing powers set out in the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) mitigates the risk of excessive exposure to any particular type of security or issuer.

By diversifying the portfolio, where this is appropriate and consistent with the Fund's objectives, the market risk of a particular investment is reduced. Market risk is monitored by the Manager by understanding the risk and return characteristics of the underlying investments as well as a regular performance review. The overall portfolio is stress tested to capture market specific risks of the Fund. The use of the derivatives is monitored using the commitment approach. The Fund is authorised to use derivatives but the exposure to derivatives is not expected to alter the overall risk exposure of the Fund.

A 10% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £11,876,998 (2022 - £13,165,820\*). A 10% decrease in the value of the Fund's portfolio would have an equal and opposite effect.

\* The prior year comparative disclosure has been restated to reflect the calculation of these figures on a consistent basis with the current year.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 12. Risk disclosures (continued)

#### b) Interest rate risk

Interest rate risk is the risk that the value of income receivable will fluctuate as a result of changes in interest rates. Cash balances and investments in fixed interest securities will be subject to such risk.

By a careful assessment of economic and other relevant factors, the Manager will seek to invest in those companies most likely to benefit, or be protected, from anticipated changes in interest rates. There are no material amounts of interest bearing financial assets and liabilities.

As at 15 February 2023, 1.26% of the Fund's assets were interest bearing (2022 - 1.54%)

As the only interest bearing assets held by the Fund are bank balances and no significant interest was received for the bank balances as disclosed in Note 10, changes in interest rates would have no material impact on assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

#### c) Currency risk

The Fund invests in companies which may derive portions of their revenues in foreign currencies. As a result, movements in exchange rates may affect the market price of the underlying investments. The value of the equity securities can therefore be affected by currency movements.

By diversifying the portfolio of the Fund, where this is appropriate and consistent with the Fund's objectives, the foreign currency risk of a particular investment is reduced. The Manager monitors the Currency exposure of the portfolio on an on-going basis to make sure the actual exposure is consistent with his understanding of future currency movements.

For numerical disclosure see note 17.

Assuming all other factors remain stable, if GBP strengthens by 5%, the investment portfolio would decrease in value by £744,871 (2022 - £753,453). A 5% weakening in GBP would increase the value by £673,931 (2022 - £681,696).

#### d) Credit risk

Credit risk is the risk that a counterparty to or an issuer of a financial instrument will fail to meet its obligations or commitment that it has entered into with the Company. The risk also applies when the Fund invests in the units of collective investment schemes that themselves are exposed to credit risk from underlying issuers or counterparties. The main contributor to credit risk is the risk of default from underlying issuers of fixed income securities.

The Manager will ensure that, where applicable, underlying fixed-income securities have an exposure to credit risk that is consistent with the overall objectives of the Fund.

#### e) Liquidity risk

Liquidity risk may result in the inability of the Fund to meet redemptions of units that investors may wish to sell. The Fund is required to meet daily redemption and therefore may face liquidity risk in an adverse event, such as during periods of elevated market stress levels.

The Fund may invest in smaller capitalisation companies that tend to have relatively modest traded share capital, and the market in such shares can, at times, prove illiquid. The Manager seeks to limit liquidity risk of the Fund by selecting a diversified range of equity securities.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 12. Risk disclosures (continued)

#### f) Counterparty risk

In some instances, transactions in securities entered into by the Fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction.

Counterparties selected by the Manager are subject to a strict selection process as well as an on-going monitoring to ensure that counterparty risk is minimised.

#### g) Investment Style and Investment Management Risk

Unitholders in a Fund face a risk that the investment choices made by the Manager and Sub-Investment Manager for that Fund on their behalf deliver returns that are inferior to alternative choices. Depending on market and economic conditions and investor sentiment, specific types of instruments or investment styles may shift in and out of favour. A Fund with one investment style may outperform or underperform other Funds that employ different investment styles.

Further, each Fund is subject to the risk that the Manager and Sub-Investment Manager appointed for that Fund may not select instruments which optimally achieve the implementation of an investment style for that Fund.

#### h) Recession risk

We are currently living in a high inflation environment. Interest rates have risen, causing both equities and bonds (which are historical diversifiers) to severely fall in value. If central banks manage to control inflation, we will see a slowdown in economic growth however this would not be a worrying situation. However if high levels of inflation persists, the UK will more than likely enter a Recessionary environment and can expect especially volatile markets for a prolonged amount of time.

### 13. Related party transactions

The following is considered by Santander Asset Management UK Limited (the Manager) to be a related party:

#### The Manager

The fees received by the Manager are set out in note 5. The Manager is related to the company as defined by Financial Reporting Standard 102, Section 33 'Related Party Disclosures' and is named on page 2. Monies received through creations and cancellations are disclosed in the Statement of change in net assets attributable to unitholders.

Amounts outstanding at the year end date are disclosed in notes 9 & 11. £287,933 (2022 - £317,118) was due to the Manager at the year end date.

#### Material unitholders

As at 15 February 2023, 94.82% (2022 - 91.32%) of the units in issue were held by All Funds Nominees Ltd which is a separate nominee company but deemed as a related party due to being a material unitholder.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 14. Unitholders funds

The Fund currently has two unit classes; R Income Units and R Accumulation Units. The following is a reconciliation of the opening units in issue to the closing units in issue for each unit class during the period;

	<b>2023</b>	<b>2022</b>
	<b>No of Units</b>	<b>No of Units</b>
<b>R Income Units</b>		
Opening units in issue	57,552,387	59,420,628
Units issued in the period	2,494,675	2,130,478
Units cancelled in the period	(4,267,600)	(3,998,719)
Closing units in issue	<u>55,779,462</u>	<u>57,552,387</u>
<b>R Accumulation Units</b>		
Opening units in issue	1,297,650	735,804
Units issued in the period	642,369	740,081
Units cancelled in the period	(306,386)	(178,235)
Closing units in issue	<u>1,633,633</u>	<u>1,297,650</u>

### 15. Fair value disclosure

	<b>2023</b>	
	<b>Investment Assets</b>	<b>Investment Liabilities</b>
	<b>£</b>	<b>£</b>
Quoted prices for identical instruments in active markets*	118,769,977	-
	<u>118,769,977</u>	<u>-</u>
	<b>2022</b>	
	<b>Investment Assets</b>	<b>Investment Liabilities</b>
	<b>£</b>	<b>£</b>
Quoted prices for identical instruments in active markets*	131,658,196	-
	<u>131,658,196</u>	<u>-</u>

\* Details of the securities included within the fair value hierarchy are detailed on page 26, accounting policy (b) valuation of investments.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 16. Purchases, sales and transaction costs

Asset Class	Purchases before transaction costs	Broker Commission	Transfer Taxes	Purchases after transaction costs	Commission as % of Purchases	Tax as % of Purchases
<b>2023</b>	£	£	£	£	%	%
Equities	18,827,328	9,374	73,638	18,910,340	0.05	0.39
Collective investment schemes	888,393	533	4,446	893,372	0.06	0.50
Total purchases	<u>19,715,721</u>	<u>9,907</u>	<u>78,084</u>	<u>19,803,712</u>		
<b>2022</b>	£	£	£	£	%	%
Equities	33,703,792	16,207	140,334	33,860,333	0.05	0.42
Total purchases	<u>33,703,792</u>	<u>16,207</u>	<u>140,334</u>	<u>33,860,333</u>		

Asset Class	Sales before transaction costs	Broker Commission	Transfer Taxes	Sales after transaction costs	Commission as % of Sales	Tax as % of Sales
<b>2023</b>	£	£	£	£	%	%
Equities	25,184,391	(9,782)	(110)	25,174,499	0.04	0.00
Total purchases	<u>25,184,391</u>	<u>(9,782)</u>	<u>(110)</u>	<u>25,174,499</u>		
<b>2022</b>	£	£	£	£	%	%
Equities	36,789,778	(16,743)	(2,748)	36,770,287	0.05	0.01
Total purchases	<u>36,789,778</u>	<u>(16,743)</u>	<u>(2,748)</u>	<u>36,770,287</u>		

	Broker Commission	Transfer Taxes
<b>2023</b>	£	£
Total costs from purchases & sales	19,689	78,194
Total costs as % of Average NAV	<u>0.01%</u>	<u>0.07%</u>
<b>2022</b>	£	£
Total costs from purchases & sales	32,950	143,082
Total costs as % of Average NAV	<u>0.02%</u>	<u>0.11%</u>

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 16. Purchases, sales and transaction costs (continued)

There were direct transaction costs associated with derivatives in the year of £nil (2022 - £nil) which is 0.00% of the Average NAV of the Fund (2022 - 0.00%).

In the case of equity securities broker commissions and transfer taxes are paid by the Fund on each purchase or sale transaction and are a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. The estimated average dealing spread including the effects of foreign exchange for this Fund is 0.18% (2022 - 0.29%) of the transaction value.

### 17. Currency risk

The analysis and tables provided below refer to the narrative disclosure on Risk disclosures in note 12.

Currency	Net foreign currency assets		Total £
	Monetary exposures £	Non-monetary exposures £	
<b>2023</b>			
UK Sterling	(201,901)	104,785,454	104,583,553
Euro	19,741	4,395,460	4,415,201
Norwegian Krone	104,702	6,591,688	6,696,390
Swedish Krona	43,586	–	43,586
Swiss Franc	–	2,997,375	2,997,375
US Dollar	6	–	6
<b>2022</b>			
UK Sterling	(1,869,785)	117,474,534	115,604,749
Euro	34,978	1,252,144	1,287,122
Norwegian Krone	53,693	3,939,066	3,992,759
Swedish Krona	43,283	5,663,718	5,707,001
Swiss Franc	–	3,328,734	3,328,734

### 18. Post balance sheet events

Subsequent to the year end, the net asset value per unit of the R Income unit class has decreased from 206.69p to 201.30p and the R Accumulation unit class has decreased from 210.96p to 205.44p as at 5 June 2023. This movement takes into account routine transactions but also reflects the market movements of recent months.

#### Change to the application of swing pricing

The value of a holding in the Scheme can be diluted because of transaction costs occurring as a result of other investors buying and selling units in the Scheme. To protect the value of your holding against such dilution, SAM UK applies a "dilution adjustment" (also known as "swing pricing") to the price of the Scheme. In practice, the intent of this adjustment is to cover transaction costs so that existing unitholders are not disadvantaged by bearing any of these costs.

Swing pricing can be applied in two ways:

1. Non-dynamic swing pricing (also known as partial swing pricing), where the price of units in a fund is adjusted when net buy and sell trades exceed a pre-set threshold each day.
2. Dynamic swing pricing (also known as full swing pricing), where the price of units in a fund is adjusted when net buy and sell trades exceed zero each day - i.e. there is no pre-set threshold.

## Notes to the financial statements (continued)

for the year ended 15 February 2023

### 18. Post balance sheet events (continued)

#### Change to the application of swing pricing (continued)

For the period ended 15 February 2023, non-dynamic swing pricing applied.

We wrote to shareholders on 23 March 2023 to advise them that we performed an end-to-end review of the way in which units in our UK fund range are priced and have updated our Unit Pricing Policy so that from 22 May 2023, dynamic swing pricing will be applied at all times. We believe that this is in the best interests of unitholders as it:

- (i) provides equal treatment of all investors, irrespective of the size of their transactions; and
- (ii) protects existing unitholders from dilution in the case of a consistent trend of net buy and sell trades which in isolation would not meet the pre-set threshold to apply a dilution adjustment, but could mount over time and cause dilution.

We recognise that applying dynamic swing pricing to the price of units in a Scheme at all times will mean that this unit price will swing more frequently than is currently the case applying non-dynamic swing pricing, and therefore could result in greater levels of performance volatility. However, the volatility historic testing we performed as part of the review referenced above showed that any such impact on the volatility of a Scheme's price would be minimal, which means in practice you are unlikely to observe any difference to a Scheme's performance.

Nonetheless we will keep under regular review the impact of the dynamic swing pricing policy on volatility, and the appropriateness of the policy in general.

## Distribution tables

for the year ended 15 February 2023

Distributions on R Income Units in pence per unit

	Payment date	Payment type	Net revenue	Equalisation	Distribution paid/payable 2022/2023	Distribution paid 2021/2022
Group 1	15.10.22	interim	6.4295	–	6.4295	7.2440
	15.04.23	final	3.7901	–	3.7901	4.3382
Group 2	15.10.22	interim	3.5476	2.8819	6.4295	7.2440
	15.04.23	final	1.9477	1.8424	3.7901	4.3382

Distributions on R Accumulation Units in pence per unit

	Payment date	Payment type	Net revenue	Equalisation	Distribution paid/payable 2022/2023	Distribution paid 2021/2022
Group 1	15.10.22	interim	6.2514	–	6.2514	6.6994
	15.04.23	final	3.7962	–	3.7962	4.1437
Group 2	15.10.22	interim	2.9355	3.3159	6.2514	6.6994
	15.04.23	final	1.7881	2.0081	3.7962	4.1437

### Equalisation

Equalisation applies only to Group 2 units. It is the average amount of revenue included in the purchase price of Group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes.

### Accumulation distributions

Holders of accumulation units should add the distributions received thereon to the cost of the units for capital gains tax purposes.



## Further information

### Report and Accounts

Copies of annual and half-yearly long reports may be requested from the Manager or inspected at FNZ TA Services Ltd, Level 7, 2 Redman Place, Stratford, London E20 1JQ, United Kingdom.

The annual accounting period for the Fund ends each year on 15 February and the interim reporting period ends on 15 August.

The annual reports of the Fund will be published on or before 15 June and interim reports on or before 15 October.

### Unit Classes

Both accumulation units (where the investment income is retained) and income units (where distributions are made to unitholders) are available.

Income attributable to accumulation units is automatically added to the capital assets of the Fund at the end of each interim and annual accounting period and is reflected in the relevant unit price. Income attributable to income units will be paid on the distribution dates.

Units go ex-distribution at the close of business on 15 February and 15 August and details of the distribution are issued to all unitholders on 15 April and 15 October each year.

Each unit class may attract different charges and expenses and so monies may be deducted from the Fund property attributable to such classes in unequal proportions. In these circumstances, the proportionate interests of the classes within a Fund will be adjusted accordingly.

Further classes may be established from time to time by the Manager with the agreement of the Trustee, and where relevant the approval of the FCA, and in accordance with the Trust Deed. On the introduction of any new class, a revised prospectus will be prepared setting out the details of such new class.

### Minimum Investment

The minimum initial investment for all unit classes is £500.

The minimum subsequent investment for all unit classes is £250.

The minimum withdrawal for all unit classes is £250.

The minimum holding for all unit classes is £500.

### Charges

An annual charge is deducted from the Fund, to cover our management and other administration costs as follows:

R Income Units	0.50%
R Accumulation Units	0.50%

## Further information (continued)

### Voting Rights

At any meeting of unitholders in the Fund, an extraordinary resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of a show of hands) demanded by the chairman, the Trustee or at least two unitholders.

On a show of hands every unitholder who (being an individual) is present in person, or (being a corporation) is present by its representative properly authorised in that regard, will have one vote.

On a poll:

- (a) votes may be given personally or by proxy or in another manner permitted by the relevant Trust Deed;
- (b) the voting rights for each unit must be the proportion of the voting rights attached to all of the units in issue that the price of the unit bears to the aggregate price or prices of all of the units in issue:
  - (i) if any unit is a participating security, at the time determined in accordance with the FCA Regulations;
  - (ii) otherwise at the date specified in the FCA Regulations; and
- (c) a unitholder need not use all his votes or cast all his votes in the same way.

In the case of joint unitholders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint unitholders and for this purpose seniority will be determined by the order in which the names stand in the Register of the Fund.

Neither the Manager nor any associate of the Manager will be entitled to vote at any such meeting except in respect of units which it holds on behalf of, or jointly with, a person who, if himself a registered unitholder, would be entitled to vote, and from whom it has received voting instructions.

### Winding Up of the Fund

The Trustee will proceed to wind up the Fund on the occurrence of any of the following events:

- (a) the order declaring the Fund to be an authorised unit trust scheme is revoked;
- (b) the FCA has agreed to a request by either the Manager or the Trustee for the revocation of the order declaring the Fund to be an authorised unit trust scheme, on conclusion of the winding-up of the Fund;
- (c) the expiration of any period specified in the Trust Deed as the period at the end of which the Fund concerned is to terminate;  
or
- (d) the effective date of a duly approved scheme of arrangement which is to result in the Fund that is subject to the scheme of arrangement being left with no property.

## Further information (continued)

### Winding Up of the Fund (continued)

In the event that the Fund is to be wound up, the procedure for winding up will be as follows:

- In a case falling within (d) above, the Trustee will wind up the Fund in accordance with the approved scheme of arrangement;
- In any other case, the Trustee must, as soon as practicable after the Fund falls to be wound up, realise the property of the Fund and, after paying out, or retaining, adequate provisions for all liabilities properly so payable of such property and retaining provision for the costs of the winding-up, distribute the proceeds to the unitholders and the Manager (upon production by them of evidence as to their entitlement) proportionately to their respective interests in the Fund as at the date of the relevant event specified in (a) (b) or (c) above;
- Any unclaimed net proceeds or other cash held by the Trustee in respect of the Fund after the expiry of twelve months from the date on which the same became payable will be paid by the Trustee into court, or as the court may direct, subject to the Trustee having a right to retain any expenses incurred by it in making and relating to that payment into court;
- Where the Trustee and one or more unitholders in the Fund agree, the requirement above to realise the Fund property does not apply to that part of the Fund property proportionate to the entitlement of that or those unitholders. The Trustee may distribute that part in the form of property, after making adjustments or retaining provisions as appears to the Trustee appropriate for ensuring that or those unitholders bear a proportional share of the relevant liabilities and costs;
- On completion of the winding-up, in respect of the events referred to in (b) or (c) above, the Trustee will notify the FCA in writing of that fact and at the same time the Manager or Trustee will request the FCA to revoke the order of authorisation under section 256(1) of the Act.

Once the Fund falls to be wound up, any unclaimed net proceeds or other cash (including unclaimed distributions) held by the Trustee after the expiration of twelve months from the date on which the same became payable is to be paid by the Trustee into court or as the court may direct, subject to the Trustee having a right to retain from those net proceeds or other cash any expenses incurred in so making the payment.

### Dealing

The Manager's delegate, FNZ TA Services Limited, is available to deal with requests from institutional investors to buy, redeem (sell) or switch Units between 9am and 5pm on each Business Day.

Such applications and instructions may be made by post or electronic means where available. The Units are bought, sold or switched at a forward price, being the price determined at the next valuation of the property of the relevant Fund after the receipt by FNZ TA Services Limited of the investor's instructions.

Subject to the Manager's internal approvals for new investors including anti-money laundering measures:

- valid requests received prior to the 12noon Valuation Point are dealt that day;
- if valid requests are received after the Valuation Point, they are marked at the price at the next Valuation Point; and
- valid requests are processed at the next applicable Valuation Point following receipt of the request except in the case where dealing in a Fund has been deferred or suspended.

Please refer to the Prospectus for further information.

## **Further information (continued)**

### **Pricing and dilution adjustment**

Units are priced on a single mid-market pricing basis in accordance with the FCA Regulations.

The price of a unit is the Net Asset Value attributable to the relevant class divided by the number of units of that class in issue.

The Net Asset Value attributable to each class of the Fund will normally be calculated at 12noon UK time on each Business Day.

The Manager reserves the right to revalue a class or Fund at any time at its discretion.

For the purpose of calculating the price at which units in a Fund are to be issued or sold, the values of investments are calculated by using mid-market prices. The actual cost of buying or selling a Fund's investments may be higher or lower than the mid-market values used in calculating the unit price, for example due to dealing charges or through dealing at prices other than the mid-market price. Under certain circumstances this will have an adverse effect on the continuing unitholders in a Fund. This effect is called "dilution".

For the purpose of reducing dilution in a Fund, the Manager may make a dilution adjustment to the price of a unit so that it is above or below that which would have resulted from a mid-market valuation of the Fund's investments. This will give a more accurate value of the actual price paid or received.

A dilution adjustment may be applied where a Fund is experiencing large levels or trends of issues and sales relative to its size, or in any other circumstances where the Manager is of the opinion that the interests of unitholders require the imposition of a dilution adjustment.

The dilution adjustment is calculated by reference to the costs of dealing in the underlying investments of the Fund, including any dealing spreads, commissions and transfer taxes.

As dilution is directly related to the issues and sales of units in a Fund, it is not possible to predict accurately whether dilution will occur at a future point in time or how frequently however, based on historical data, the Manager expects to make a dilution adjustment on most occasions when units are issued or redeemed. A typical adjustment, based on historical data, is expected to be between 0% and 2% for the issue and redemption of units.

Please refer to the Prospectus for further information.

### **Taxation**

The Funds pay corporation tax at 20% on their taxable income less expenses and are generally exempt from capital gains tax.

Where a Fund pays dividend distributions, these are paid without any deduction of tax. The first £2,000 of dividends, including dividend distributions from a Fund, paid to an individual (or, in the case of accumulation Shares, retained in a Fund and reinvested) in any tax year are tax-free (the dividend allowance). Where an individual's total dividends from all sources paid or treated as paid to an individual are more than the dividend allowance in a tax year, then the amount over the allowance is taxable at dividend tax rates which depend on the individual's circumstance.

Please refer to the Prospectus for further information.

### **Corporation tax**

A unit trust distribution received by a unitholder liable to corporation tax is received as franked revenue to the extent that the revenue of the Fund consists of franked revenue. The balance of the distribution is received as an annual payment from which tax has been deducted at the basic rate.

### **Capital gains tax**

Authorised unit trusts are not subject to capital gains tax. A unitholder is liable to capital gains tax on gains arising on the disposal of units unless his chargeable gains from all sources in the tax year are less than the annual capital gains tax exemption.

### **Risk Warnings**

Please note that past performance is not necessarily a guide to the future. The price of units and any income from them can fall as well as rise and you may not get back the amount you originally invested. Significant changes in interest rates could also affect the value of your investment and any foreign investments will be affected by fluctuations in rates of currency exchange. Investment in a Fund should generally be viewed as a long-term investment. **Please refer to the Key Investor Information Document for a fuller explanation of the risk warnings.** The most recent Key Investor Information Document may be obtained by visiting [www.santanderassetmanagement.co.uk](http://www.santanderassetmanagement.co.uk). Santander Asset Management UK Limited only provides information about its own products and will not give individual independent advice. Should you wish to seek advice, then please contact an Independent Financial Adviser.

## Appointments

### Manager and Registrar

Santander Asset Management UK Limited  
287 St. Vincent Street  
Glasgow G2 5NB, United Kingdom  
Authorised and regulated by the Financial Conduct Authority

### Directors

Robert Noach  
Dr Jocelyn Dehnert  
Lazaro de Lazaro Torres  
Jacqueline Hughes  
Pak Chan (appointed 11 May 2022)  
Mehdi Kadhim (resigned 10 June 2022)  
Miguel Angel Sanchez Lozano (appointed 6 February 2023)

### Sub-Investment Managers

Schroder Investment Management Limited  
1 London Wall Place  
London EC2Y 5AU, United Kingdom  
Authorised and regulated by the Financial Conduct Authority

### Trustee

NatWest Trustee and Depositary Services Limited  
House A, Floor 0  
Gogarburn  
175 Glasgow Road  
Edinburgh EH12 1HQ, United Kingdom  
Authorised and regulated by the Financial Conduct Authority

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
141 Bothwell Street  
Glasgow G2 7EQ, United Kingdom