

IFSL Marlborough High Yield Fixed Interest Fund

Annual Report and Audited Financial Statements

for the year ended 31 December 2022

IFSL

— Fund Services —

Marlborough

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

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

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

Andrew Staley (Non-Executive)
Allan Hamer
Dom Clarke - appointed 30 January 2023
Wayne D Green - resigned 24 March 2022
Helen Redmond
Helen Derbyshire
Sally Helston - appointed 12 August 2022
Guy Sears (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

Depository (in it's capacity as Trustee)

HSBC Bank plc
8 Canada Square
London
E14 5HQ

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

Investment Manager

Marlborough Investment Management Limited
PO Box 1852
Lichfield
Staffordshire
WS13 8XU

Authorised and regulated by the Financial Conduct Authority.

Sub-Investment Manager

Aberdeen Asset Managers Limited
280 Bishopgate
London
EC2M 4AG

Authorised and regulated by the Financial Conduct Authority.

Auditor

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

CONTENTS	PAGE
AUTHORISED INVESTMENT MANAGER'S REPORT	1
AUTHORISED STATUS	4
GENERAL INFORMATION	4
DIRECTORS' STATEMENT	6
STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES	6
STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY	7
INDEPENDENT AUDITOR'S REPORT	8
COMPARATIVE TABLE	11
SYNTHETIC RISK AND REWARD INDICATOR	12
PORTFOLIO STATEMENT	13
FINANCIAL STATEMENTS	
STATEMENT OF TOTAL RETURN	16
STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	16
BALANCE SHEET	17
NOTES TO THE FINANCIAL STATEMENTS	18
DISTRIBUTION TABLE	25

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2022

Performance to 31 December 2022

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough High Yield Fixed Interest Fund	4.17%	(10.08)%	(2.27)%	3.92%
IA Sterling High Yield	3.43%	(9.72)%	(2.64)%	4.56%

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

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

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

Investment commentary

The European High Yield market returned -10.5%*. In 2022 in a year sadly dominated by the Russian invasion of Ukraine and its reverberations on a global economy only just recovering from the COVID pandemic. Notwithstanding the humanitarian impact, the conflict exposed Europe's and in particular, Germany's reliance on Russian gas for electricity generation and the ensuing sanctions on Russian exports triggered an energy price shock felt around the world. The spike in energy costs exacerbated an already inflationary backdrop of pandemic related labour and supply side shortages and central banks were forced to act to attempt to remedy an inflation problem not seen in decades. In the US, the Federal Reserve raised rates at the fastest pace since the 1970s, taking the base rate from zero to 4.5% and in Europe, the European Central Bank lifted deposit rates, which had been negative since 2014, to 2.0% by year end.

Amidst this backdrop of sharply rising base rates, the German 5 year government bond yield rose 250 basis points (bp) to 2.3% from -0.2% at the start of the year and the European High Yield (EHY) index yield rose almost 500bp to 8.0%. With most of the widening in yields attributable to rising base rates, interest rate sensitivity was the key driver of returns. This can be demonstrated by the fact that Investment Grade rated BBB bonds (which are of a higher credit quality than the High Yield market) returned -13.5% in 2022, underperforming High Yield as a whole. Given their higher credit quality, investors are typically willing to lend to Investment Grade rated companies at a lower risk premium and for a longer time. This combination makes Investment Grade bond returns much more sensitive to changes in underlying interest rates.

The Fund's P Income unit class returned -10.08% in 2022. In terms of single name contributors, the North Sea oil and gas exploration business EnQuest was the top performer as high oil prices drove strong cash generation and deleveraging that enabled a refinancing of their short term maturities. The new issue market was closed for much of the year and largely prevented any refinancing activity although we did benefit from both our Kedrion (pharma) and Schustermann & Borenstein (online retail) bonds being unexpectedly called early. The market volatility forced the latter to price their new bonds at a large discount – terms that we felt were unwarranted – and the bonds had recouped most of this discount by year-end. The rising rate environment took its toll on the Real Estate market and the situation was intensified by allegations of improper accounting and governance at Adler, a German residential property investor that is a large component of the EHY index. The Fund benefitted from having almost no exposure to the sector.

Less positively, our bonds issued by the French telecoms business Altice sold off on concerns that market weakness and a high market implied cost of debt could weigh on already weak cash flows. We take comfort in the value of their network assets that could be monetised to aid deleveraging if necessary and the bonds have recovered much of their lost ground in the first weeks of 2023. A number of our UK consumer financials bonds also fell in price in 2022 as concerns over a rising cost of debt and a weakening consumer were intensified by Gilt volatility later in the year. We have reduced exposure to the UK debt collector Lowell on strength at the beginning of 2023 but remain comfortable with our other holdings which include the mortgage provider Jerrold and the warranty provider Domestic & General. Our holding in the Rabobank perpetual bonds, our longest duration and therefore most rate sensitive position, also underperformed over the course of the year.

Risk assets in Europe have got off to a flying start in the first weeks of 2023 as inflation data in France and Germany surprised to the downside and the December Purchasing Managers' Index results came in stronger than forecast. Inflation expectations are also deteriorating quickly as unseasonably warm weather drives gas prices lower and oil prices are 45% off their March 2022 highs. Lower energy prices will benefit corporate margins as well as individuals' spending capacity meaning the economic outlook may not be as dire as the more pessimistic scenarios many had predicted last year. Despite the strong start, we remain cautious and believe that the data will continue to indicate a contracting economy which has yet to be fully reflected in earnings expectations and by extension equity and bond valuations. We expect spreads (the risk premium, or excess yield of the asset class) to widen in the coming quarters, equity prices to drop, and government bonds to rally as the positive correlation between risk assets and rate risk experienced last year reverts to its historic norm.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2022

Investment commentary (continued)

Having said that, if the UK and the rest of Europe are to go into recession, we do not think it to be a deep one and believe there will be a good opportunity to add to the portfolio over the course of the year. Whilst spreads have scope to widen on weaker economic data, the yield of the asset class has risen to almost 8.0% and this additional carry now provides much better downside protection to absolute returns. Ultimately, we believe the year is likely to generate a positive return for the asset class. Most EHY companies have termed out their debt structures in previous years at low coupons and although some companies will be and are being forced to lock in higher interest rates, there is not a significant near-term refinancing issue for the market as a whole and the default rate should remain contained. The Fund has meaningfully de-risked over the course of 2022 and we would look to use any near-term weakness to add back to the Fund as we move through 2023.

* ICE BofA European Currency High Yield Index HP00 – 100% Hedged to GBP

Aberdeen Standard Investments
February 2023

Distributions

	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>
<u>A Income (pence per unit)</u>				
Net income paid last day of February	0.767228	0.701305	0.746734	0.637591
Net income paid 31 May		0.661922	0.747477	0.691536
Net income paid 31 August		0.739050	0.767764	0.694941
Net income paid 30 November		0.750884	0.754133	0.764977
<u>P Income (pence per unit)</u>				
Net income paid last day of February	0.856008	0.796087	0.838495	0.724968
Net income paid 31 May		0.760450	0.840684	0.778392
Net income paid 31 August		0.829710	0.863363	0.778063
Net income paid 30 November		0.840033	0.850893	0.854564

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2022

Portfolio changes

<u>Largest purchases</u>	<u>Cost (£)</u>
Electricité de France (EDF) 5.375% Perp	509,891
Sherwood Financing 6% 15.11.26	492,500
Bellis Acquisition 4.5% 16.02.26	485,790
Grifols 2.25% 15.11.27	403,750
Pinewood Finco 3.625% 15.11.27	393,944
Cirsa Finance International 6.25% 20.12.23	380,473
VodafoneZiggo Financing 2.875% 15.01.29	360,319
Electricité de France (EDF) 5% Perp	335,830
Loxam 3.75% 15.07.26	292,148
Telecom Italia 6.375% 15.11.33	276,728
Other purchases	7,956,619
Total purchases for the year	11,887,992
<u>Largest sales</u>	<u>Proceeds (£)</u>
Lincoln Financing 3.625% 01.04.24	930,666
Arqiva Broadcast Finance 6.75% 30.09.23	883,670
Moto Finance 4.5% 01.10.22	724,000
SoftBank Group 5% 15.04.28	659,591
Kedrion 3.375% 15.05.26	652,965
Netflix 3.625% 15.05.27	647,312
PrestigeBidCo 6.25% 15.12.23	626,445
Cirsa Finance International 6.25% 20.12.23	624,165
Unilabs Subholding 5.75% 15.05.25	579,562
Teva Pharmaceutical Finance Netherlands II 4.5% 01.03.25	504,835
Other sales	19,223,241
Total sales for the year	26,056,452

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED STATUS

IFSL Marlborough High Yield Fixed Interest Fund (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

GENERAL INFORMATION

Investment objective

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

Investment policy

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

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

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

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

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

The Fund will typically hold less than 5% in cash to enable the ready settlement of liabilities, for the efficient management of the Fund and in pursuit of the Fund's objectives although may occasionally exceed this figure.

Assessing performance

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

The Fund's investment policy puts it in the IA Sterling High Yield sector.

Rights and terms attaching to each unit class

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

Assessment of value

The Manager is required to carry out an assessment of value at least annually and publish its findings in a report to investors. IFSL Marlborough High Yield Fixed Interest Fund is assessed and reported on, in a composite report which the Manager publishes on the website www.ifslfunds.com. The next report is expected to be published in a composite report by 30 September 2023.

Changes in prospectus

No significant changes have been made since the last annual report.

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

GENERAL INFORMATION

Remuneration policy

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

The quantitative remuneration disclosures as at 30 September 2022 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the UCITS Manager who have a material impact on the risk profile of the Fund				
Senior management	7	757,911	667,666	90,245
Risk takers and other identified staff	2	245,763	203,403	42,360
Allocation of total remuneration of the employees of the UCITS Manager to the Fund				
Senior management	0.02	2,322	2,046	276
Risk takers and other identified staff	0.01	753	623	130

The total number of staff employed by the AFM was 236 as at 30 September 2022. The total remuneration paid to those staff was £14,048,823 of which £5,197,123 is attributable to the AFM.

The allocation of remuneration to the Fund is based on Assets Under Management (AUM) and the figures disclosed only include remuneration paid to individuals directly employed by the AFM's group. The way these disclosures are calculated may change in the future.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

DIRECTORS' STATEMENT

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



Allan Hamer
Director



Helen Redmond
Director

Investment Fund Services Limited
03 April 2023

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

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

In preparing those financial statements the AFM is required to:

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

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

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of IFSL Marlborough High Yield Fixed Interest Fund ("the Trust") for the period ended 31 December 2022.

The Depositary in its capacity as Trustee of IFSL Marlborough High Yield Fixed Interest Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

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

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

The Depositary must ensure that:

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

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

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

HSBC BANK PLC

LONDON

03 April 2023

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

Opinion

We have audited the financial statements of IFSL Marlborough High Yield Fixed Interest Fund ("the Fund") for the year ended 31 December 2022, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2022 and of the net revenue and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the Annual Report.

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

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

We have nothing to report in this regard.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Manager

As explained more fully in the Manager's Responsibilities Statement set out on page 6, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102, the Investment Association's Statement of Recommended Practice (IA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrators and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

Use of our report

This report is made solely to the Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

03 April 2023

Notes:

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

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

Change in net assets per unit	Year to 31.12.2022 pence	Year to 31.12.2021 pence	Year to 31.12.2020 pence
Opening net asset value per unit	71.33	71.65	72.46
Return before operating charges*	(6.74)	3.80	3.20
Operating charges	(1.03)	(1.15)	(1.11)
Return after operating charges*	(7.77)	2.65	2.09
Distributions on income units	(2.92)	(2.97)	(2.90)
Closing net asset value per unit	60.64	71.33	71.65

* after direct transaction costs of:

Performance

Return after charges ^A	(10.89)%	3.70%	2.88%
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Other information

Closing net asset value (£)	9,771,033	19,986,098	23,848,734
Closing number of units	16,114,385	28,020,830	33,287,330
Operating charges	1.59%	1.58%	1.61%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)

Highest unit price	71.77	73.71	73.60
Lowest unit price	57.91	71.62	58.63

P Income units

Change in net assets per unit	Year to 31.12.2022 pence	Year to 31.12.2021 pence	Year to 31.12.2020 pence
Opening net asset value per unit	73.79	73.84	74.40
Return before operating charges*	(6.98)	3.92	3.30
Operating charges	(0.56)	(0.62)	(0.61)
Return after operating charges*	(7.54)	3.30	2.69
Distributions on income units	(3.29)	(3.35)	(3.25)
Closing net asset value per unit	62.96	73.79	73.84

* after direct transaction costs of:

Performance

Return after charges ^A	(10.22)%	4.47%	3.62%
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Other information

Closing net asset value (£)	18,193,507	29,221,074	30,322,917
Closing number of units	28,895,493	39,599,576	41,064,953
Operating charges	0.84%	0.83%	0.86%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)

Highest unit price	74.25	76.14	75.65
Lowest unit price	60.09	74.01	60.30

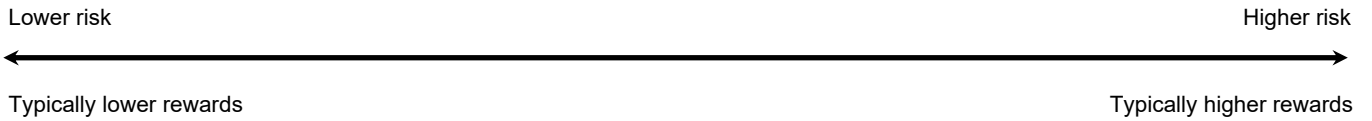
^A The return after charges is calculated using the underlying investments bid prices

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

COMPARATIVE TABLE

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)



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

The Fund has been measured as 4 because its investments have experienced moderate volatility in the past. During the year the synthetic risk and reward indicator has remained unchanged.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 December 2022

Holding or nominal value		Bid value £	Percentage of total net assets %
STERLING (31 December 2021 - 24.86%)			
149,000	Ardagh Packaging Finance 4.75% 15.07.27	102,405	0.37
355,000	B&M European Value Retail 4% 15.11.28	288,150	1.03
404,000	Bellis Acquisition 4.5% 16.02.26	337,938	1.21
380,000	Cidron Aida Finco 6.25% 01.04.28	308,400	1.10
150,000	Encore Capital Group 4.25% 01.06.28	114,819	0.41
362,000	Encore Capital Group 5.375% 15.02.26	324,084	1.16
522,084	EnQuest 7% 15.04.22	506,714	1.81
150,000	Ford Motor Credit Co 4.535% 06.03.25	142,466	0.51
361,000	Garfunkelux Holdco 3 7.75% 01.11.25	280,100	1.00
110,000	HSBC 5.844% Perp	111,552	0.40
100,000	Jaguar Land Rover Automotive 3.875% 01.03.23	98,788	0.35
350,000	Jerrold Finco 5.25% 15.01.27	290,868	1.04
139,000	Kane Bidco 6.5% 15.02.27	114,610	0.41
338,000	National Express Group 4.25% Perp	275,893	0.99
400,000	Pinewood Finco 3.625% 15.11.27	352,164	1.26
366,000	Premier Foods Finance 3.5% 15.10.26	319,496	1.14
126,000	Punch Finance 6.125% 30.06.26	107,072	0.38
568,000	Rolls-Royce 5.75% 15.10.27	517,244	1.85
500,000	Sherwood Financing 6% 15.11.26	385,960	1.38
300,000	TalkTalk Telecom Group 3.875% 20.02.25	233,961	0.84
400,000	Thames Water (Kemble) Finance 4.625% 19.05.26	337,248	1.21
715,000	Virgin Media Vendor Financing Notes III 4.875% 15.07.28	576,183	2.06
	Total Sterling	6,126,115	21.91
EURO (31 December 2021 - 69.67%)			
190,000	888 Acquisitions 7.558% 15.07.27	144,048	0.51
200,000	Abertis Infraestructuras Finance 3.248% Perp	149,425	0.53
496,000	Albion Financing 1 / Aggreko Holdings 5.25% 15.10.26	383,136	1.37
860,000	Altice Finco 4.75% 15.01.28	565,493	2.02
1,000,000	Altice France 8% 15.05.27	649,951	2.32
200,000	ARD Finance 5% 30.06.27	118,114	0.42
186,000	Ardagh Packaging Finance 2.125% 15.08.26	137,243	0.49
693,000	Autostrade per l'Italia 2% 04.12.28	503,783	1.80
620,000	Banff Merger Sub 8.375% 01.09.26	493,282	1.76
340,000	CAB SELAS 3.375% 01.02.28	241,625	0.86
200,000	Casino Guichard-Perrachon 4.048% 05.08.26	90,765	0.32
100,000	Cellnex Finance 1% 15.09.27	73,716	0.26
200,000	Cellnex Finance 1.5% 08.06.28	147,111	0.53
400,000	Cellnex Finance 2% 15.09.32	262,339	0.94
350,000	Cheplapharm Arzneimittel 4.375% 15.01.28	271,920	0.97
227,000	Chrome Bidco 3.5% 31.05.28	169,594	0.61
289,000	Cidron Aida Finco 5% 01.04.28	219,459	0.78
100,000	Cirsa Finance International 10.375% 30.11.27	90,614	0.32
127,903	Cirsa Finance International 6.25% 20.12.23	112,301	0.40
291,000	CT Investment 5.5% 15.04.26	226,763	0.81
474,000	Cullinan Holdco 4.625% 15.10.26	366,744	1.31
103,000	Darling Global Finance 3.625% 15.05.26	88,585	0.32
300,000	DDM Debt 9% 19.04.26	177,884	0.64
390,000	Dufry One 3.375 15.04.28	288,899	1.03
500,000	EG Global Finance 4.375% 07.02.25	383,220	1.37
300,000	Electricité de France (EDF) 5% Perp	242,095	0.86
600,000	Electricité de France (EDF) 5.375% Perp	505,064	1.81
165,000	Faurecia 2.375% 15.06.27	121,830	0.44
160,000	Faurecia 3.125% 15.06.26	125,227	0.45
250,000	Faurecia 3.75% 15.06.28	188,005	0.67
100,000	Faurecia 7.25% 15.06.26	89,778	0.32
381,000	Gamma Bidco 6.25% 15.07.25	327,892	1.17
320,000	Goodyear Europe 2.75% 15.08.28	227,139	0.81
137,000	Graphic Packaging International 2.625% 01.02.29	105,941	0.38
530,000	Grifols 2.25% 15.11.27	408,540	1.46

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND
PORTFOLIO STATEMENT

as at 31 December 2022

Holding or nominal value	Bid value £	Percentage of total net assets %
EURO (continued)		
103,000 Grüenenthal 4.125% 15.05.28	81,960	0.29
100,000 HSE Finance 5.625% 15.10.26	46,949	0.17
132,000 HSE Finance 5.75% 15.10.26	68,118	0.24
430,000 HT Troplast 9.25% 15.07.25	345,825	1.24
175,000 IHO Verwaltungs 3.875% 15.05.27	130,362	0.47
215,000 INEOS Finance 3.375% 31.03.26	169,566	0.61
799,000 INEOS Styrolution 2.25% 16.01.27	571,162	2.04
170,000 International Game Technology 3.5% 15.06.26	143,095	0.51
332,000 Intrum 4.875% 15.08.25	266,965	0.95
275,000 IQVIA 1.75% 15.03.26	222,343	0.80
130,000 Jaguar Land Rover Automotive 4.5% 15.07.28	87,115	0.31
245,000 Jaguar Land Rover Automotive 6.875% 15.11.26	192,366	0.69
113,000 Leather 2 FRN 30.09.28	76,539	0.27
250,000 Lorca Telecom Bondco 4% 18.09.27	198,460	0.71
350,000 Loxam 3.75% 15.07.26	278,763	1.00
500,000 Matterhorn Telecom Holding 3.125% 15.09.26	399,852	1.43
210,000 Mobilux Finance 4.25% 15.07.28	147,527	0.53
140,000 Monitchem Holdco 3 5.25% 15.03.25	118,895	0.43
100,000 MPT Operating Partnership 3.325% 24.03.25	79,496	0.28
462,000 Nobel Bidco 3.125% 15.06.28	276,006	0.99
150,000 Nomad Foods 2.5% 24.06.28	111,972	0.40
158,000 Novelis Sheet Ingot 3.375% 15.04.29	119,004	0.43
530,000 Organon Finance 1 2.875% 30.04.28	409,950	1.47
600,000 Petróleus Mexicanos 4.75% 26.02.29	413,978	1.48
290,000 PrestigeBidCo 7% 15.07.27	238,004	0.85
168,000 Rolls-Royce 4.625% 16.02.26	144,186	0.52
400,000 Samvardhana Motherson Automotive Systems Group 1.8% 06.07.24	325,926	1.17
405,000 SAZKA Group 4.125% 20.11.24	352,723	1.26
105,000 Schaeffler 2.875% 26.03.27	85,513	0.31
500,000 Schaeffler 3.375% 12.10.28	384,173	1.37
170,000 Sofima Holding 3.75% 15.01.28	141,895	0.51
198,000 Sofima Holding FRN 15.01.28	143,805	0.51
250,000 SoftBank Group 5.25% 30.07.27	192,045	0.69
416,450 Stichting AK Rabobank Certificaten 6.5% Perp	354,021	1.27
507,538 Summer BidCo 9% 15.11.25	323,925	1.16
112,936 Summer Bidco 9.75% 15.11.25	71,877	0.26
314,000 Techem Verwaltungsgesellschaft 674 2% 15.07.25	254,905	0.91
466,855 Techem Verwaltungsgesellschaft 674 6% 30.07.26	387,948	1.39
100,000 Telefónica Europe 3% Perp	85,798	0.31
200,000 Telefónica Europe 3.875% Perp	160,288	0.57
100,000 Telefonica Europe 7.125% Perp	90,342	0.32
785,000 Teva Pharmaceutical Finance Netherlands II 4.5% 01.03.25	663,476	2.37
200,000 United Group 5.25% 01.02.30	127,738	0.46
200,000 Verallia 1.875% 10.11.31	137,539	0.49
587,000 Verisure Holding 3.25% 15.02.27	450,426	1.61
395,000 Verisure Midholding 5.25% 15.02.29	281,166	1.01
529,000 Vertical Midco 4.375% 15.07.27	415,345	1.49
303,000 Victoria 3.625% 26.08.26	219,087	0.78
300,000 Vodafone Group 2.628% 27.08.80	233,117	0.83
585,000 VodafoneZiggo Financing 2.875% 15.01.29	397,175	1.42
200,000 ZF Europe Finance 2% 23.02.26	152,415	0.55
300,000 ZF Europe Finance 2.5% 23.10.27	218,620	0.78
300,000 ZF Finance 2% 06.05.27	216,835	0.78
Total Euro	<u>20,904,106</u>	<u>74.75</u>
US DOLLAR (31 December 2021 - 1.32%)		
400,000 Telecom Italia 6.375% 15.11.33	273,571	0.98
Total US Dollar	<u>273,571</u>	<u>0.98</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 December 2022

Holding or nominal value			
	UNLISTED/UNQUOTED (31 December 2021 - Nil)		
353,137	Hellas Telecommunications Luxembourg III 8.5% 15.10.13 ^A	-	-
	Total Unlisted/Unquoted	-	-
		Bid value	Percentage of total net assets
		£	%
Portfolio of investments		27,303,792	97.64
Counterparty	Foreign Currency Hedges		
HSBC	Sell GBP 157,887 for EUR 179,883 - 18 January 2023	1,739	-
UBS Limited	Sell GBP 202,335 for EUR 232,000 - 18 January 2023	3,539	0.01
UBS Limited	Sell EUR 316,489 for GBP 272,671 - 18 January 2023	(8,178)	(0.03)
HSBC	Sell GBP 3,503 for USD 4,240 - 18 January 2023	17	-
Standard Chartered	Sell EUR 168,945 for GBP 146,118 - 18 January 2023	(3,802)	(0.01)
Morgan Stanley	Sell EUR 23,517,003 for 20,324,676 GBP - 18 January 2023	(544,045)	(1.95)
Morgan Stanley	Sell USD 329,178 for GBP 269,305 - 18 January 2023	(3,982)	(0.01)
Natwest PLC	Sell EUR 268,753 for 235,557 - 18 January 2023	(2,931)	(0.01)
	Net value of all derivative positions	(557,643)	(2.00)
	Portfolio of investments (including derivative positions)^B	26,746,149	95.64
	Net other assets (excluding derivative positions)	1,218,391	4.36
	Total net assets	27,964,540	100.00

^A Hellas Telecom is considered to have no value by the fund manager.

^B Net of investment liabilities.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2022

	Notes	31 December 2022		31 December 2021	
		£	£	£	£
Income:					
Net capital (losses)/gains	4		(6,872,721)		199,828
Revenue	6	2,000,022		2,585,806	
Expenses	7	(411,679)		(603,692)	
Net revenue before taxation		<u>1,588,343</u>		<u>1,982,114</u>	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>1,588,343</u>		<u>1,982,114</u>
Total return before distributions			(5,284,378)		2,181,942
Distributions	9		(1,780,086)		(2,263,536)
Change in net assets attributable to unitholders from investment activities			<u>(7,064,464)</u>		<u>(81,594)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2022

	31 December 2022		31 December 2021	
	£	£	£	£
Opening net assets attributable to unitholders		49,207,172		54,174,905
Amounts receivable on issue of units	6,877,494		5,730,416	
Amounts payable on cancellation of units	(21,140,550)		(10,625,660)	
Amounts payable on unit class conversions	<u>(208)</u>		<u>(28)</u>	
		(14,263,264)		(4,895,272)
Dilution adjustment		84,879		9,133
Change in net assets attributable to unitholders from investment activities		(7,064,464)		(81,594)
Unclaimed distributions		217		-
Closing net assets attributable to unitholders		<u>27,964,540</u>		<u>49,207,172</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

BALANCE SHEET

as at 31 December 2022

	Notes	31 December 2022 £	31 December 2021 £
Assets:			
Fixed Assets:			
Investment assets	17	27,309,087	47,937,318
Current Assets:			
Debtors	10	446,275	711,638
Cash and bank balances		1,418,757	1,412,909
Total assets		<u>29,174,119</u>	<u>50,061,865</u>
Liabilities:			
Investment liabilities	17	562,938	-
Creditors:			
Bank overdrafts		205,353	273,465
Distribution payable		370,982	511,760
Other creditors	11	70,306	69,468
Total liabilities		<u>1,209,579</u>	<u>854,693</u>
Net assets attributable to unitholders		<u><u>27,964,540</u></u>	<u><u>49,207,172</u></u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1 ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Revenue

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

Bank interest is accounted for on an accruals basis.

Allocation of revenue

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

Expenses

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

Valuation

The valuation point was 12:00 on 30 December 2022 being the last valuation point of the accounting year.

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

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

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

Taxation

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

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 30 December 2022 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2 DISTRIBUTION POLICIES

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

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

Equalisation

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

Stock dividends

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

3 RISK MANAGEMENT POLICIES

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

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

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

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

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

Foreign currency risk

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

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

Derivatives

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

RISK MANAGEMENT POLICIES

Credit and counterparty risk

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

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

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

Interest rate risk

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

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

Liquidity risk

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

4 NET CAPITAL (LOSSES)/GAINS

	31 December 2022	31 December 2021
	£	£
The net (losses)/gains on investments during the year comprise:		
Non-derivative securities losses	(5,729,033)	(2,588,926)
(losses)/gains on forward foreign exchange contracts	(1,152,874)	2,930,662
Other currency gains/(losses)	13,085	(137,186)
Transaction charges	(3,899)	(4,722)
Net capital (losses)/gains	<u>(6,872,721)</u>	<u>199,828</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

	31 December 2022	31 December 2021
	£	£
Purchases excluding transaction costs	11,887,992	19,998,194
Total purchase transaction costs	-	-
Purchases including transaction costs	<u>11,887,992</u>	<u>19,998,194</u>
Sales excluding transaction costs	26,056,452	23,773,035
Total sale transaction costs	-	-
Sales net of transaction costs	<u>26,056,452</u>	<u>23,773,035</u>
Transaction handling charges	<u>£3,899</u>	<u>£4,722</u>

Average portfolio dealing spread

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

Average portfolio dealing spread at the balance sheet date	<u>1.04%</u>	<u>0.83%</u>
------------------------------------------------------------	--------------	--------------

6 REVENUE

	31 December 2022	31 December 2021
	£	£
Interest on debt securities	1,998,468	2,585,806
Bank credit interest	1,554	-
Total revenue	<u>2,000,022</u>	<u>2,585,806</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

7 EXPENSES

	31 December 2022	31 December 2021
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	383,483	562,843
Registration fees	2,683	2,866
	<u>386,166</u>	<u>565,709</u>
Other expenses:		
Trustee's fees	13,660	18,958
Safe custody fees	3,376	6,936
Interest	-	4,566
Financial Conduct Authority fee	(44)	164
Audit fee	8,521	7,359
	<u>25,513</u>	<u>37,983</u>
Total expenses	<u><u>411,679</u></u>	<u><u>603,692</u></u>

8 TAXATION

	31 December 2022	31 December 2021
	£	£
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	-	-
Total tax charge (see note 8(b))	<u>-</u>	<u>-</u>
b Factors affecting the tax charge for the year		
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below:		
Net revenue before taxation	1,588,343	1,982,114
Corporation tax at 20% (2021: 20%)	<u>317,669</u>	<u>396,423</u>
Effects of:		
Interest distribution allowable for taxation	(317,669)	(396,423)
Managers periodic charge to capital	-	-
Total tax charge (see note 8(a))	<u>-</u>	<u>-</u>

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

9 DISTRIBUTIONS

	31 December 2022	31 December 2021
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
First quarter	485,949	585,667
Second quarter	420,951	587,693
Third quarter	376,241	557,669
Final	370,982	511,760
Add: Revenue deducted on cancellation of units	155,751	52,207
Deduct: Revenue received on issue of units	(29,580)	(31,432)
Equalisation on conversions	(208)	(28)
Distributions	<u>1,780,086</u>	<u>2,263,536</u>
Net revenue after taxation	1,588,343	1,982,114
Add: Manager's periodic charge to capital	<u>191,743</u>	<u>281,422</u>
	<u><u>1,780,086</u></u>	<u><u>2,263,536</u></u>

10 DEBTORS

	31 December 2022	31 December 2021
	£	£
Amounts receivable for issue of units	2,744	73,853
Accrued income	443,531	636,407
Taxation recoverable	-	1,378
Total debtors	<u>446,275</u>	<u>711,638</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

11 OTHER CREDITORS

	31 December 2022	31 December 2021
	£	£
Amounts payable for cancellation of units	34,215	13,293
Manager's periodic charge and registration fees	24,883	44,892
Accrued expenses	11,208	11,283
Total other creditors	70,306	69,468

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 December 2022 (2021: nil).

13 RELATED PARTIES

The authorised fund manager is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due (from)/to the authorised fund manager at the year end are £56,354 (2021: £(15,668)).

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

Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	1.32%	0.84%
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Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNIT CLASSES

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

A Income	1.50%
P Income	0.75%

15 UNITHOLDERS' FUNDS RECONCILIATION

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

	A Income	P Income
Opening units in issue at 1 January 2022	28,020,830	39,599,576
Unit issues	2,598,735	7,293,642
Unit cancellations	(13,918,082)	(18,564,135)
Unit conversions	(587,098)	566,410
Closing units in issue at 31 December 2022	16,114,385	28,895,493

16 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £1,365,190 (2021: £2,358,171). A five per cent decrease would have an equal and opposite effect.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

RISK DISCLOSURES

Foreign currency risk

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

Foreign currency exposure at 31 December 2022:

	Investments £	Net current assets £	Total £
Euro	(268,368)	338,044	69,676
US dollar	3,805	2,655	6,460
	<u>(264,563)</u>	<u>340,699</u>	<u>76,136</u>

Foreign currency exposure at 31 December 2021:

	Investments £	Net current assets £	Total £
Euro	(1,432,892)	1,415,026	(17,866)
US dollar	25,947	21,159	47,106
	<u>(1,406,945)</u>	<u>1,436,185</u>	<u>29,240</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £3,807 (2021: £1,462). A five per cent increase would have an equal and opposite effect.

Derivatives risk

The underlying exposure to forward currency contracts at 31 December 2022 was a net unrealised loss of £557,643 (2021: unrealised gain of £773,900).

Interest rate risk

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

	31 December 2022 £	31 December 2021 £
Financial assets fixed interest rate:		
Sterling	6,126,113	12,233,563
Euro	20,904,108	32,826,569
US dollar	273,571	230,737
	<u>27,303,792</u>	<u>45,290,869</u>
Financial assets floating rate:		
Sterling	1,410,856	426,791
Euro	7,893	2,439,409
US dollar	8	419,258
	<u>1,418,757</u>	<u>3,285,458</u>
Financial assets non-interest bearing instruments:		
Sterling	(444,164)	1,049,059
Euro	330,149	415,320
US dollar	2,647	21,159
	<u>(111,368)</u>	<u>1,485,538</u>
Financial liabilities floating rate:		
Sterling	(205,353)	(273,465)
	<u>(205,353)</u>	<u>(273,465)</u>
Financial liabilities non-interest bearing instruments:		
Sterling	(441,288)	(581,228)
Euro	-	-
US dollar	-	-
	<u>(441,288)</u>	<u>(581,228)</u>
	<u>27,964,540</u>	<u>49,207,172</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

RISK DISCLOSURES

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

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A half of one per cent increase in interest rates would have the effect of decreasing the return and net assets by £471,493 (2021: £915,185). A half of one per cent decrease would have an equal and opposite effect.

Debt security credit analysis

Portfolio split by investment grade	31 December 2022	31 December 2021
	Bid value (£)	
Investments of investment grade	1,057,798	655,042
Investments below investment grade:	25,417,080	43,913,669
Unrated	828,914	2,594,707
Total of debt securities	27,303,792	47,163,418

Liquidity risk

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

		31 December 2022	31 December 2021
		£	£
On demand:			
Creditors	Bank overdrafts	205,353	273,465
Within one year:			
Derivatives	Investment liabilities	562,938	-
Creditors	Distribution payable	370,982	511,760
	Other creditors	70,306	69,468
		1,209,579	854,693

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 December 2022		31 December 2021	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	-	-	-	-
Level 2 - Observable market data	27,309,087	562,938	47,937,318	-
Level 3 - Unobservable data	-	-	-	-
	27,309,087	562,938	47,937,318	-

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

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

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

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

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

Level 3 - Valuation techniques using unobservable inputs.

Hellas Telecom is considered to have no value by the fund manager.

18 POST BALANCE SHEET EVENTS

Since 30 December 2022, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)			Movement (%)
	30 December 2022 ^A	27 March 2023		
A Income	61.72	62.90		1.91%
P Income	64.14	65.42		2.00%

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

DISTRIBUTION TABLE

First quarter distribution for the period from 1 January 2022 to 31 March 2022

Group 1: units purchased prior to 1 January 2022

Group 2: units purchased on or after 1 January 2022

		Gross revenue 31 March 2022	Equalisation 31 March 2022	Distribution paid 31 May 2022	Distribution paid 31 May 2021
		pence per unit	pence per unit	pence per unit	pence per unit
A Income	Group 1	0.661922	-	0.661922	0.747477
	Group 2	0.422417	0.239505	0.661922	0.747477
		pence per unit	pence per unit	pence per unit	pence per unit
P Income	Group 1	0.760450	-	0.760450	0.840684
	Group 2	0.466742	0.293708	0.760450	0.840684

Second quarter distribution for the period from 1 April 2022 to 30 June 2022

Group 1: units purchased prior to 1 April 2022

Group 2: units purchased on or after 1 April 2022

		Gross revenue 30 June 2022	Equalisation 30 June 2022	Distribution paid 31 August 2022	Distribution paid 31 August 2021
		pence per unit	pence per unit	pence per unit	pence per unit
A Income	Group 1	0.739050	-	0.739050	0.767764
	Group 2	0.317024	0.422026	0.739050	0.767764
		pence per unit	pence per unit	pence per unit	pence per unit
P Income	Group 1	0.829710	-	0.829710	0.863363
	Group 2	0.458834	0.370876	0.829710	0.863363

Third quarter distribution for the period from 1 July 2022 to 30 September 2022

Group 1: units purchased prior to 1 July 2022

Group 2: units purchased on or after 1 July 2022

		Gross revenue 30 September 2022	Equalisation 30 September 2022	Distribution paid 30 November 2022	Distribution paid 30 November 2021
		pence per unit	pence per unit	pence per unit	pence per unit
A Income	Group 1	0.750884	-	0.750884	0.754133
	Group 2	0.546458	0.204426	0.750884	0.754133
		pence per unit	pence per unit	pence per unit	pence per unit
P Income	Group 1	0.840033	-	0.840033	0.850893
	Group 2	0.330110	0.509923	0.840033	0.850893

Final distribution for the period from 1 October 2022 to 31 December 2022

Group 1: units purchased prior to 1 October 2022

Group 2: units purchased on or after 1 October 2022

		Gross revenue 31 December 2022	Equalisation 31 December 2022	Distribution paid 28 February 2023	Distribution paid 28 February 2022
		pence per unit	pence per unit	pence per unit	pence per unit
A Income	Group 1	0.767228	-	0.767228	0.701305
	Group 2	0.498178	0.269050	0.767228	0.701305
		pence per unit	pence per unit	pence per unit	pence per unit
P Income	Group 1	0.856008	-	0.856008	0.796087
	Group 2	0.430911	0.425097	0.856008	0.796087

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