

IFSL Marlborough Bond Income Fund

Annual Report and Audited Financial Statements
for the year ended 31 May 2023

IFSL

— Fund Services —

Marlborough

IFSL MARLBOROUGH BOND INCOME FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

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Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

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

Investment Manager

Marlborough Investment Management Limited
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Croxall
Nr Alrewas
Staffordshire
WS13 8RA

Authorised and regulated by the Financial Conduct Authority.

Depositary (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.

Auditor

Ernst & Young LLP
Atria One
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Edinburgh
EH3 8EX

IFSL MARLBOROUGH BOND INCOME FUND

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IFSL MARLBOROUGH BOND INCOME FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 May 2023

Performance to 31 May 2023

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough Bond Income Fund	(0.84)%	(8.33)%	(12.63)%	(7.20)%
IA Sterling Corporate Bond Sector	(1.18)%	(7.78)%	(12.17)%	(3.62)%

External Source of Economic Data: Morningstar (P Income - quoted price to quoted price, net 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 Fund's 'P' class income units were down 8.33% over the year to 31 May 2023, falling in price from 46.91p to 41.68p. The Fund paid 1.29p per unit in income over this time. The overall performance of the Fund was slightly ahead of the average fund in the Investment Association's Sterling Corporate Bond sector.

The war in Ukraine and steep increases in interest rates to counter higher inflation caused volatility in global investment markets during this period. In bonds, domestic political upheaval meant UK government bonds – Gilts – underperformed their international counterparts. In September, the Bank of England stepped in to support the Gilt market and avert serious problems in the pensions sector after a rapid sell-off in longer-dated Gilts* caused by the Liz Truss government's mini-budget. As a result of the bank's intervention, longer-dated bonds rebounded strongly. This led to some temporary underperformance by the Fund, which has lower than average exposure to longer-dated bonds, as part of its strategic positioning. However, as the market stabilised, this underperformance was reversed, and the Fund's position was restored as an above-average performer in its sector for the year in focus.

The volatility in Gilt yields has been unusual. Ten-year Gilt yields stood at around 2.1% in May 2022, then rose as high as 4.5% in the mini-budget chaos in late September before dropping back towards 3% in early 2023. By the end of the period under review, yields were revisiting their previous highs as persistently high inflation forced the Bank of England's Monetary Policy Committee to raise interest rates to 4.5%, with many economists and investors forecasting further increases.

Credit spreads – the difference in yields paid on government bonds, which are viewed as being lower risk, and corporate (company) bonds of varying credit ratings – widened steadily during 2022. These spreads reached a peak in early October after pension funds were forced to sell corporate bonds as they grappled with the impact of the mini-budget crisis. This sudden surplus of bonds for sale pushed down prices, driving up yields. As these bonds were absorbed, credit spreads began to narrow again in early 2023, only for problems in the US regional banking sector and the collapse of Credit Suisse to cause another brief setback in March. By the end of May though, credit spreads had returned to more normal levels and were broadly in line with where they stood 12 months earlier.

The combination of higher government bond yields and volatile credit spreads led to unprecedented capital losses on most bond portfolios. The range of performance outcomes in the sector was unusually large, with the best-performing short-dated** funds posting a small gain over the period under review, while some long-dated portfolios fell by more than 20%. During a period of heightened uncertainty and volatility, we maintained a cautious, measured approach and, as described above, achieved a return slightly ahead of the average for our peers in the Sterling Corporate Bond sector.

As investors continue to adjust to the fact that interest rates may be higher for longer than previously anticipated, bond markets are likely to remain more volatile than usual over the months ahead. However, government bond valuations already reflect much of this adjustment, and the additional yield on offer from corporate bonds means investors are being paid a reasonable overall yield to compensate for any further short-term weakness.

Bonds are now on lower valuations, which are more in line with historic averages. We believe this means they are better positioned to fulfil their traditional role as a less volatile, more income-focused asset held alongside shares in a diversified portfolio. After an unusual period in which bonds and shares have to an extent moved in tandem, we believe this correlation will begin to decline.

We continue to believe that a diversified portfolio of good quality corporate bonds, held through the economic cycle, can produce the solid risk-adjusted performance the Fund seeks to achieve. In our view, the current lower valuations on corporate bonds offer an attractive opportunity for long-term investors.

* We define longer-dated Gilts as those with 15 years or more to 'maturity', which is when the investors' capital is returned.

** Short-dated bonds are those closer to 'maturity', when investors' capital is returned. As a result, they tend to be less sensitive to interest rate changes.

IFSL MARLBOROUGH BOND INCOME FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 May 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 31 January	0.269450	0.239330	0.296863	0.300048
Net income paid 30 April	0.266955	0.239562	0.286509	0.296454
Net income paid 31 July	0.284290	0.262800	0.301684	0.313984
Net income paid 31 October		0.262106	0.274948	0.303292
<u>P Income (pence per unit)</u>				
Net income paid 31 January	0.318700	0.296996	0.356194	0.357190
Net income paid 30 April	0.317362	0.295901	0.345586	0.354128
Net income paid 31 July	0.336299	0.318144	0.361508	0.371209
Net income paid 31 October		0.315240	0.334942	0.362801

Portfolio changes

<u>Largest purchases</u>	<u>Cost (£)</u>
Church Commissioners for England 3.25% 14.07.32	498,265
UK Treasury 1% 31.01.32	483,829
UK Treasury 3.25% 31.01.33	427,525
La Banque Postale 5.625% 21.09.28	199,076
Enel Finance International 5% 15.06.32	157,443
Svenska Handelsbanken 4.625% 23.08.32	132,912
UK Treasury 4.5% 07.09.34	123,478
United Utilities Water 5% 28.02.35	113,200
IBM 4.875% 06.02.38	109,553
AA Bond Co 3.25% 31.07.28	85,486
Total purchases for the year	2,330,767
<u>Largest sales</u>	<u>Proceeds (£)</u>
UK Treasury 1% 31.01.32	627,633
HSBC Holdings 5.75% 20.12.27	291,550
FCE Bank 2.727% 03.06.22	260,000
Yorkshire Water Finance 3.75% 22.03.46	250,000
Church Commissioners for England 3.25% 14.07.32	249,875
Telefónica Emisiones 5.375% 02.02.26	240,500
Sky 4% 26.11.29	198,714
JP Morgan Chase & Co 0.991% 28.04.26	184,246
Barclays 3% 08.05.26	183,360
AXA 5.453% Perp	179,550
Other sales	3,393,121
Total sales for the year	6,058,549

IFSL MARLBOROUGH BOND INCOME FUND

AUTHORISED STATUS

IFSL Marlborough Bond Income 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 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 income, that is, money paid out from an investment as interest, with the potential for some capital growth, that is, to increase the value of your investment. The Fund aims to outperform the average of the IA Sterling Corporate Bond sector over any 5 year period, after any charges have been taken out of the Fund. However, there is no certainty this will be achieved.

Investment policy

At least 80% of the Fund will be invested in bonds issued by companies and institutions. These will be investment grade bonds which are loans issued by entities that have a high capacity to repay the debt.

The Fund may also invest in sub-investment grade bonds which can be more vulnerable to changing economic conditions, bonds issued by governments, shares (including preference shares and permanent interest bearing shares), bonds which may be converted into shares (known as convertible bonds) and money market instruments (which are shorter term loans).

The Fund is actively managed which means the Manager decides which investments to buy or sell and when. The Manager's principal aim is to buy bonds and hold them to maturity in order to maximise the income generated, although some investments may be sold prior to maturity.

The Fund invests in a diversified portfolio of securities and has no constraints in relation to industry.

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

From time to time, the Fund may also use derivative instruments to gain exposure to certain currencies or manage interest rate risk in the Fund.

The Fund may hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the Fund and in pursuit of the Fund's objectives.

Performance target

The performance target is the level of performance the Fund aims to deliver however there is no certainty this will be achieved.

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 will be in the IA Sterling Corporate Bond sector. This Fund aims to be in the top half of all funds included in this sector, as published by Morningstar.

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 Bond Income 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

Effective from 24 April 2023, the Annual Management Charge (AMC) for A Income shares decreased from 1.50% to 1.125% and the Annual Management Charge (AMC) for P Income decreased from 0.75% to 0.375%.

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 BOND INCOME FUND

GENERAL INFORMATION

Remuneration policy

In line with the requirements of UCITS V, Investment Fund Services Limited, the Authorised Fund Manager (AFM), 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 (the UCITS manager's year-end) 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 Company				
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 Company				
Senior management	0.01	1,101	970	131
Risk takers and other identified staff	0.01	357	295	62

The total number of staff employed by the AFM's group 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 BOND INCOME 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
8 September 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 BOND INCOME 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 the IFSL Marlborough Bond Income Fund of the ("the Trust") for the Period Ended 31 May 2023

The Depositary in its capacity as Trustee of IFSL Marlborough Bond Income 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 consider necessary to discharge our responsibilities as Depositary of the Trust, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Trust, acting through the AFM:

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

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

HSBC Bank plc

8 September 2023

IFSL MARLBOROUGH BOND INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH BOND INCOME FUND

Opinion

We have audited the financial statements of IFSL Marlborough Bond Income Fund ("the Fund") for the year ended 31 May 2023, 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 set out on pages 16 to 18, 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 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 May 2023 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 BOND INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH BOND INCOME 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;
- 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 FCA requires us to report to you if, in our opinion:

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

Responsibilities of the Manager

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

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to 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 BOND INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH BOND INCOME 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 Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrators and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might be considered 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

8 September 2023

Notes:

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

IFSL MARLBOROUGH BOND INCOME FUND

COMPARATIVE TABLE

A Income units

Change in net assets per unit	Year to 31.05.2023 pence	Year to 31.05.2022 pence	Year to 31.05.2021 pence
Opening net asset value per unit	45.28	50.96	50.34
Return before operating charges*	(3.45)	(3.86)	2.64
Operating charges	(0.67)	(0.80)	(0.83)
Return after operating charges*	(4.12)	(4.66)	1.81
Distributions on income units	(1.08)	(1.02)	(1.19)
Closing net asset value per unit	40.08	45.28	50.96

* after direct transaction costs of:

- - -

Performance

Return after charges ^A (9.10)% (9.14)% 3.60%

Other information

Closing net asset value (£)	6,638,633	12,196,188	18,735,794
Closing number of units	16,564,250	26,937,833	36,769,112
Operating charges	1.60% ^B	1.60%	1.60%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)

Highest unit price	45.46	52.46	53.26
Lowest unit price	36.95	45.40	50.41

P Income units

Change in net assets per unit	Year to 31.05.2023 pence	Year to 31.05.2022 pence	Year to 31.05.2021 pence
Opening net asset value per unit	46.91	52.60	51.77
Return before operating charges*	(3.57)	(4.00)	2.72
Operating charges	(0.37)	(0.44)	(0.46)
Return after operating charges*	(3.94)	(4.44)	2.26
Distributions on income units	(1.29)	(1.25)	(1.43)
Closing net asset value per unit	41.68	46.91	52.60

* after direct transaction costs of:

- - -

Performance

Return after charges ^A (8.40)% (8.44)% 4.37%

Other information

Closing net asset value (£)	4,398,537	4,611,458	4,961,703
Closing number of units	10,552,248	9,829,979	9,433,044
Operating charges	0.85% ^B	0.85%	0.85%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)

Highest unit price	47.16	54.23	54.92
Lowest unit price	38.34	47.06	51.85

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

^B Effective from 24 April 2023, the Annual Management Charge (AMC) for A Income shares decreased from 1.50% to 1.125% and the Annual Management Charge (AMC) for P Income decreased from 0.75% to 0.375%.

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 BOND INCOME FUND

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)



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 changed from 3 to 4.

IFSL MARLBOROUGH BOND INCOME FUND

PORTFOLIO STATEMENT

as at 31 May 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
STERLING (31 May 2022 - 94.15%)		
200,000 Aberdeen 5.25% Perp	158,000	1.43
110,000 Amgen 5.5% 07.12.26	109,425	0.99
100,000 Anglian Water (Osprey) Financing 2% 31.07.28	78,980	0.72
150,000 Anglian Water Services Financing 2.625% 15.06.27	133,712	1.21
100,000 Anheuser-Busch InBev 4% 24.09.25	97,101	0.88
193,401 Aspire Defence Finance 4.674% 31.03.40	177,908	1.61
100,000 Assura Financing 1.625% 30.06.33	66,500	0.60
100,000 Aster Treasury 4.5% 18.12.43	89,625	0.81
100,000 Aviva 6.125% 14.11.36	98,125	0.89
100,000 AXA 5.453% Perp	98,125	0.89
250,000 Bank of America 8.125% 02.06.28	264,065	2.39
200,000 Barclays 3% 08.05.26	182,250	1.65
200,000 BNP Paribas 2% 24.05.31	170,750	1.55
150,000 BP Capital Markets 4.25% Perp	134,063	1.21
200,000 Cadent Finance 2.625% 22.09.38	130,602	1.18
250,000 Church Commissioners for England 3.25% 14.07.32	216,998	1.97
200,000 Close Brothers Group 2% 11.09.31	164,144	1.49
300,000 Coöperatieve Rabobank 4.625% 23.05.29	269,679	2.44
95,000 Coventry Building Society 12.125% PIBS	140,600	1.27
100,000 CPUK Finance 3.69% 28.08.28	86,198	0.78
100,000 CRH Finance (UK) 4.125% 02.12.29	91,706	0.83
120,000 Derwent London 1.875% 17.11.31	84,378	0.76
160,000 Deutsche Bahn Finance 3.125% 24.07.26	151,069	1.37
200,000 Deutsche Bank 2.625% 16.12.24	186,742	1.69
100,000 Diageo Finance 1.25% 28.03.33	70,772	0.64
200,000 Dwr Cymru (Financing) 2.5% 31.03.36	146,978	1.33
150,000 Electricity North West 8.875% 25.03.26	161,528	1.46
150,000 Equinor 6.875% 11.03.31	165,943	1.50
100,000 General Motors Financial Co 2.25% 06.09.24	95,266	0.86
100,000 GlaxoSmithKline Capital 1.625% 12.05.35	68,631	0.62
50,000 Goldman Sachs Group 6.875% 18.01.38	50,271	0.46
150,000 Great Places Housing Group 4.75% 22.10.42	135,404	1.23
100,000 Heathrow Funding 6.45% 10.12.33	103,675	0.94
100,000 Holcim Sterling Finance (Netherlands) 2.25% 04.04.34	69,979	0.63
200,000 HSBC Holdings 7% 07.04.38	194,398	1.76
200,000 IG Group Holdings 3.125% 18.11.28	151,482	1.37
100,000 Imperial Brands Finance 5.5% 28.09.26	96,913	0.88
100,000 InterContinental Hotels Group 3.375% 08.10.28	87,206	0.79
100,000 Investec 1.875% 16.07.28	80,051	0.73
300,000 JP Morgan Chase & Co 0.991% 28.04.26	273,510	2.48
200,000 KBC Group 1.25% 21.09.27	170,750	1.55
100,000 Kraft Heinz Foods 4.125% 01.07.27	94,399	0.86
200,000 La Banque Postale 5.625% 21.09.28	191,574	1.74
400,000 Lambay Capital Securities 6.25% Perp	3,288	0.03
200,000 Legal & General Group 5.125% 14.11.48	184,500	1.67
100,000 McDonald's 5.875% 23.04.32	103,124	0.93
100,000 Motability Operations Group 1.5% 20.01.41	56,631	0.51
100,000 Motability Operations Group 3.625% 10.03.36	84,243	0.76
200,000 Nationwide Building Society 5.75% Perp	174,500	1.58
200,000 Natwest Group 2.105% 28.11.31	167,900	1.52
100,000 Next 3.625% 18.05.28	90,068	0.82
100,000 NGG Finance 5.625% 18.06.73	96,000	0.87
121,000 Northern Gas Networks Finance 4.875% 15.11.35	108,392	0.98
100,000 Northumbrian Water Finance 2.375% 05.10.27	87,255	0.79
150,000 Optivo Finance 3.283% 22.03.48	100,312	0.91
200,000 Pension Insurance 4.625% 07.05.31	163,500	1.48
100,000 Places for People Treasury 2.875% 17.08.26	91,217	0.83
100,000 Platform HG Financing 1.926% 15.09.41	60,996	0.55
100,000 Reckitt Benckiser Treasury Services 1.75% 19.05.32	76,862	0.70
140,000 Rothschilds Continuation Finance (CI) 9% Perp	141,693	1.28

IFSL MARLBOROUGH BOND INCOME FUND

PORTFOLIO STATEMENT

as at 31 May 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
STERLING (continued)		
100,000 Sage Group 1.625% 25.02.31	74,619	0.68
100,000 Santander UK 5.875% 14.08.31	87,716	0.80
100,000 Severn Trent Utilities Finance 4.875% 24.01.42	89,845	0.81
111,000 Sky 4% 26.11.29	103,249	0.94
180,000 Society of Lloyds (The) 4.875% 07.02.47	164,792	1.49
100,000 South Eastern Power Networks 5.625% 30.09.30	100,144	0.91
90,000 Southern Electric Power Distribution 5.5% 07.06.32	89,972	0.82
100,000 SP Distribution 5.875% 17.07.26	100,246	0.91
133,000 Svenska Handelsbanken 4.625% 23.08.32	120,531	1.09
150,000 Thames Water Utilities Finance 4.375% 03.07.34	130,373	1.18
100,000 THFC (Funding No. 3) 5.2% 11.10.43	93,625	0.85
173,000 Time Warner Cable 5.25% 15.07.42	136,990	1.24
450,000 UK Treasury 3.25% 31.01.33	417,184	3.78
100,000 United Utilities Water 5% 28.02.35	94,928	0.86
100,000 Vattenfall 6.875% 15.04.39	111,089	1.01
100,000 Verizon Communications 1.875% 19.09.30	78,007	0.71
100,000 Vodafone Group 3% 12.08.56	54,989	0.50
200,000 Volkswagen International Finance 4.125% 17.11.31	175,208	1.59
100,000 Walgreens Boots Alliance 3.6% 20.11.25	94,288	0.85
200,000 Wells Fargo & Co 4.625% 02.11.35	179,240	1.62
100,000 Welltower 4.5% 01.12.34	82,744	0.75
100,000 Yorkshire Power Finance 7.25% 04.08.28	105,834	0.96
Total Sterling	10,265,569	93.00
UNITED STATES DOLLAR (31 May 2022 - 3.01%)		
200,000 Amazon.com 4.95% 05.12.44	164,222	1.49
200,000 America Movil 6.125% 30.03.40	171,428	1.55
165,112 Avangardco Investments Public 10% 29.10.18	138	0.00
200,000 Enel Finance International 5% 15.06.32	150,525	1.37
Total United States Dollar	486,313	4.41
Portfolio of stock investments	10,751,882	97.41
Counterparty	Foreign Currency Hedges	
HSBC	Sell USD 620,000 for GBP 497,130 - 13 July 2023	(3,745) (0.03)
	Net value of all derivative positions	(3,745) (0.03)
	Portfolio of investments and derivative positions^A	10,748,137 97.38
	Net other assets (excluding derivative positions)	289,033 2.62
	Total net assets	11,037,170 100.00

^A Net of investment liabilities.

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated.

IFSL MARLBOROUGH BOND INCOME FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 May 2023

	Notes	31 May 2023		31 May 2022	
		£	£	£	£
Income:					
Net capital losses	4		(1,752,542)		(2,064,014)
Revenue	6	470,887		600,314	
Expenses	7	<u>(190,388)</u>		<u>(295,599)</u>	
Net revenue before taxation		280,499		304,715	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>280,499</u>		<u>304,715</u>
Total return before distributions			(1,472,043)		(1,759,299)
Distributions	9		(365,688)		(442,406)
Change in net assets attributable to unitholders from investment activities			<u><u>(1,837,731)</u></u>		<u><u>(2,201,705)</u></u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 May 2023

	31 May 2023		31 May 2022	
	£	£	£	£
Opening net assets attributable to unitholders		16,807,646		23,698,021
Amounts receivable on issue of units	637,307		1,774,781	
Amounts payable on cancellation of units	(4,578,877)		(6,470,218)	
Amounts payable on unit class conversions	<u>(1,202)</u>		<u>-</u>	
		(3,942,772)		(4,695,437)
Dilution adjustment		9,442		6,767
Change in net assets attributable to unitholders from investment activities		(1,837,731)		(2,201,705)
Unclaimed distributions		585		-
Closing net assets attributable to unitholders		<u><u>11,037,170</u></u>		<u><u>16,807,646</u></u>

IFSL MARLBOROUGH BOND INCOME FUND

BALANCE SHEET

as at 31 May 2023

	Notes	31 May 2023 £	31 May 2022 £
Assets:			
Fixed Assets:			
Investment assets	17	10,751,882	16,342,846
Current Assets:			
Debtors	10	212,118	284,641
Cash and bank balances		228,998	408,446
Total assets		<u>11,192,998</u>	<u>17,035,933</u>
Liabilities:			
Investment liabilities	17	3,745	-
Creditors:			
Bank overdrafts		34,145	-
Distribution payable	9	82,578	102,067
Other creditors	11	35,360	126,220
Total liabilities		<u>155,828</u>	<u>228,287</u>
Net assets attributable to unitholders		<u><u>11,037,170</u></u>	<u><u>16,807,646</u></u>

IFSL MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2023

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 (AFM) 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.

Valuation

The valuation point was 12:00 on 31 May 2023 being the last valuation point of the accounting year.

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

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

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

Taxation

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

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 31 May 2023 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 May 2023

ACCOUNTING POLICIES

Dilution adjustment

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

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to 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.

As the investment objective of the Fund is to concentrate on the generation of revenue as a higher priority than capital growth, both the authorised fund manager and the trustee have agreed that 50% of the manager's periodic charge is to be taken from capital for the purpose of calculating the distribution, as permitted by the regulations.

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.

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 some 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.

IFSL MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2023

RISK MANAGEMENT POLICIES

Derivatives

A proportion of the Fund is invested in bonds denominated in currencies other than Sterling. 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.

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

	31 May 2023	31 May 2022
	£	£
The net losses on investments during the year comprise:		
Non-derivative securities losses	(1,719,862)	(2,023,456)
Losses on forward foreign exchange contracts	(1,228)	(41,092)
Other currency (losses)/gains	(31,131)	1,550
Transaction charges	(321)	(1,016)
Net capital losses	(1,752,542)	(2,064,014)

5 PURCHASES, SALES AND TRANSACTION COSTS

All purchases and sales are in debt securities.

	31 May 2023	31 May 2022
	£	£
Purchases excluding transaction costs	2,330,767	13,496,179
Total purchase transaction costs	-	-
Purchases including transaction costs	2,330,767	13,496,179
Sales excluding transaction costs	6,058,549	18,143,956
Commissions	-	(893)
Total sale transaction costs	-	(893)
Sales net of transaction costs	6,058,549	18,143,063

Transaction handling charges

These are charges payable to the trustee in respect each transaction.

£321	£1,016
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Average portfolio dealing spread

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

Average portfolio dealing spread at the balance sheet date	0.85%	0.65%
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IFSL MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2023

6 REVENUE

	31 May 2023 £	31 May 2022 £
Interest on debt securities	464,035	600,254
Bank interest	6,852	60
Total revenue	<u>470,887</u>	<u>600,314</u>

7 EXPENSES

	31 May 2023 £	31 May 2022 £
Payable to the authorised fund manager or associate:		
Authorised fund manager's periodic charge	170,359	275,382
Registration fees	3,287	3,391
	<u>173,646</u>	<u>278,773</u>
Other expenses:		
Trustee's fees	4,902	7,503
Safe custody fees	1,195	1,819
Bank interest	1,007	-
Financial Conduct Authority fee	(21)	124
Audit fee	9,659	7,380
	<u>16,742</u>	<u>16,826</u>
Total expenses	<u>190,388</u>	<u>295,599</u>

8 TAXATION

	31 May 2023 £	31 May 2022 £
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	280,499	304,715
Corporation tax at 20% (2022: 20%)	56,100	60,943
Effects of:		
Interest distribution allowable for taxation	(56,100)	(88,481)
Unrelieved excess management expenses - managers periodic charge to capital	-	27,538
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 May 2023 £	31 May 2022 £
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
1st Interim	96,252	124,137
2nd Interim	91,133	105,583
3rd Interim	81,011	99,994
Final	82,578	102,067
Add: Revenue deducted on cancellation of units	16,917	16,074
Deduct: Revenue received on issue of units	(1,001)	(5,449)
Equalisation on conversions	(1,202)	-
Distributions	<u>365,688</u>	<u>442,406</u>
Net revenue after taxation	280,499	304,715
Add: Manager's periodic charge to capital	85,189	137,691
	<u>365,688</u>	<u>442,406</u>

IFSL MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2023

10 DEBTORS

	31 May 2023 £	31 May 2022 £
Amounts receivable for issue of units	150	44
Accrued income	211,968	284,597
Total debtors	<u>212,118</u>	<u>284,641</u>

11 OTHER CREDITORS

	31 May 2023 £	31 May 2022 £
Amounts payable for cancellation of units	16,374	98,102
Manager's periodic charge and registration fees	9,004	19,361
Accrued expenses	9,982	8,757
Total other creditors	<u>35,360</u>	<u>126,220</u>

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 May 2023 (2022: nil).

13 RELATED PARTIES

The authorised fund manager is involved in all transactions in the units of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due to the authorised fund manager at the year end are £25,228 (2022: £117,419).

In addition to the above, some shares in the Fund are owned by directors of Investment Fund Services Limited, directors of Marlborough Group Holdings Limited, the immediate parent company of Investment Fund Services Limited, or directors of UFC Fund Management plc, the ultimate parent company of Investment Fund Services Limited, as set out below:

	31 May 2023	31 May 2022
Proportion of units owned by directors of:		
UFC Fund Management plc	0.11%	0.08%

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	1.125%
P Income	0.375%

Effective from 24 April 2023, the Annual Management Charge (AMC) for A Income shares decreased from 1.50% to 1.125% and the Annual Management Charge (AMC) for P Income decreased from 0.75% to 0.375%.

15 UNITHOLDERS' FUNDS RECONCILIATION

During the year the authorised fund manager has issued and cancelled units as set out below:

	A Income	P Income
Opening units in issue at 1 June 2022	<u>26,937,833</u>	<u>9,829,979</u>
Unit issues	1,065,674	375,027
Unit cancellations	(8,102,627)	(2,858,624)
Unit conversions	(3,336,630)	3,205,866
Closing units in issue at 31 May 2023	<u>16,564,250</u>	<u>10,552,248</u>

IFSL MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2023

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 £537,594 (2022: £816,519). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

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

Foreign currency exposure at 31 May 2023:

	Investments £	Net other assets / (liabilities) £	Total £
Euro	-	(11)	(11)
US dollar	482,568	9,249	491,817
	<u>482,568</u>	<u>9,238</u>	<u>491,806</u>

Foreign currency exposure at 31 May 2022:

	Investments £	Net other assets £	Total £
US dollar	519,352	5,768	525,120
	<u>519,352</u>	<u>5,768</u>	<u>525,120</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 £24,590 (2022: 26,256). A five per cent increase would have an equal and opposite effect.

Derivatives risk

The underlying exposure to forward currency contracts at 31 May 2023 was a net unrealised (loss)/gain of £(3,745) (2022: £12,472).

Interest rate risk

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

Financial assets with fixed interest rates:	31 May 2023 £	31 May 2022 £
Financial assets fixed interest rate:		
Sterling	10,265,569	15,823,494
Euro	-	-
US dollar	486,313	506,880
	<u>10,751,882</u>	<u>16,330,374</u>
Financial assets floating rate:		
Sterling	228,998	408,446
Euro	-	-
US dollar	-	-
	<u>228,998</u>	<u>408,446</u>
Financial assets non-interest bearing instruments:		
Sterling	202,870	291,345
Euro	-	-
US dollar	9,248	5,768
	<u>212,118</u>	<u>297,113</u>
Financial liabilities floating rates:		
Sterling	(34,135)	-
Euro	(10)	-
	<u>(34,145)</u>	<u>-</u>
Financial liabilities non-interest bearing instruments:		
Sterling	(117,938)	(228,287)
USD	(3,745)	-
	<u>(121,683)</u>	<u>(228,287)</u>
	<u>11,037,170</u>	<u>16,807,646</u>

IFSL MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2023

RISK DISCLOSURES

Interest rate risk sensitivity

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 £331,115 (2022: £549,610). A half of one per cent decrease would have an equal and opposite effect.

Debt security credit analysis

Portfolio split by investment grade

	31 May 2023	31 May 2022
	Bid value (£)	
Investments of investment grade	10,340,966	14,731,291
Investments below investment grade:	407,490	936,205
Unrated	3,426	662,878
Total of debt securities	<u>10,751,882</u>	<u>16,330,374</u>

Liquidity risk

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

		31 May 2023	31 May 2022
		£	£
On demand:			
Non-derivatives	Bank overdrafts	34,145	-
Within one year:			
Derivatives:	Investment liabilities	3,745	-
Non-derivatives	Distribution payable	82,578	102,067
	Other creditors	35,360	126,220
		<u>155,828</u>	<u>228,287</u>

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 May 2023		31 May 2022	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	417,184	-	-	-
Level 2 - Observable market data	10,334,698	3,745	16,342,846	-
Level 3 - Unobservable data	-	-	-	-
	<u>10,751,882</u>	<u>3,745</u>	<u>16,342,846</u>	<u>-</u>

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

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

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

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

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

Level 3 - Valuation techniques using unobservable inputs.

18 POST BALANCE SHEET EVENTS

Since 31 May 2023, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	31 May 2023 ^A	31 August 2023	Movement (%)
A Income	40.53	40.37	(0.39)%
P Income	42.19	42.06	(0.31)%

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

IFSL MARLBOROUGH BOND INCOME FUND

DISTRIBUTION TABLE

First quarter distribution for the period from 1 June 2022 to 31 August 2022

Group 1: units purchased prior to 1 June 2022

Group 2: units purchased on or after 1 June 2022

		Gross revenue 31 August 2022 pence per unit	Equalisation 31 August 2022 pence per unit	Distribution paid 31 October 2022 pence per unit	Distribution paid 31 October 2021 pence per unit
A Income	Group 1	0.262106	-	0.262106	0.274948
	Group 2	0.220969	0.041137	0.262106	0.274948
P Income	Group 1	0.315240	-	0.315240	0.334942
	Group 2	0.121002	0.194238	0.315240	0.334942

Second quarter distribution for the period from 1 September 2022 to 30 November 2022

Group 1: units purchased prior to 1 September 2022

Group 2: units purchased on or after 1 September 2022

		Gross revenue 30 November 2022 pence per unit	Equalisation 30 November 2022 pence per unit	Distribution paid 31 January 2023 pence per unit	Distribution paid 31 January 2022 pence per unit
A Income	Group 1	0.269450	-	0.269450	0.239330
	Group 2	0.082914	0.186536	0.269450	0.239330
P Income	Group 1	0.318700	-	0.318700	0.296996
	Group 2	0.170813	0.147887	0.318700	0.296996

Third quarter distribution for the period from 1 December 2022 to 28 February 2023

Group 1: units purchased prior to 1 December 2022

Group 2: units purchased on or after 1 December 2022

		Gross revenue 28 February 2023 pence per unit	Equalisation 28 February 2023 pence per unit	Distribution paid 30 April 2023 pence per unit	Distribution paid 30 April 2022 pence per unit
A Income	Group 1	0.266955	-	0.266955	0.239562
	Group 2	0.134635	0.132320	0.266955	0.239562
P Income	Group 1	0.317362	-	0.317362	0.295901
	Group 2	0.106873	0.210489	0.317362	0.295901

Final distribution for the period from 1 March 2023 to 31 May 2023

Group 1: units purchased prior to 1 March 2023

Group 2: units purchased on or after 1 March 2023

		Gross revenue 31 May 2023 pence per unit	Equalisation 31 May 2023 pence per unit	Distribution paid 31 July 2023 pence per unit	Distribution paid 31 July 2022 pence per unit
A Income	Group 1	0.284290	-	0.284290	0.262800
	Group 2	0.194243	0.090047	0.284290	0.262800
P Income	Group 1	0.336299	-	0.336299	0.318144
	Group 2	0.149854	0.186445	0.336299	0.318144

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