

Investment Fund Services

# IFSL Marlborough Cautious Fund

Annual Report and Audited  
Financial Statements

for the year ended 30 April 2024

## **IFSL MARLBOROUGH CAUTIOUS FUND**

### **CONTACT INFORMATION**

#### **Authorised Fund Manager (AFM)**

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  
Helen Derbyshire - resigned, 11 December 2023  
Helen Redmond  
Sally Helston  
Guy Sears (Independent Non-Executive) - resigned, 25 March 2024  
Katherine Damsell (Independent Non-Executive) - appointed, 25 March 2024  
Sarah Peaston (Independent Non-Executive)

#### **Investment Manager**

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

Authorised and regulated by the Financial Conduct Authority.

#### **Depository** (in its 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.

#### **Administrator and Registrar** (from 1 June 2024)

SS&C Financial Services International Limited  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

#### **Administrator and Registrar** (to 1 June 2024)

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

#### **Auditor**

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

## IFSL MARLBOROUGH CAUTIOUS FUND

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## IFSL MARLBOROUGH CAUTIOUS FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 30 April 2024

#### Performance to 30 April 2024

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough Cautious Fund	9.66%	6.47%	1.82%	9.77%
IA Mixed Investment 20-60% Shares sector	9.56%	6.45%	1.37%	13.35%

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

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

##### Performance statement

During the period under review, the Fund's P Accumulation shares returned +6.47%. The Investment Association 20-60% Shares sector average, which is the Fund's benchmark\*, increased by 6.45% over the same time frame.

##### Market review

Many expected 2023 to be a very challenging year for both the global economy and stock markets, due to the impact of higher interest rates. As a result, most market commentators and economists were pessimistic. This view, however, turned out to be wrong and 2023 delivered a better outcome than many anticipated. There are several reasons for this. Firstly, inflation has fallen dramatically and continues to trend lower. This has enabled central bankers to end their interest rate hiking programmes and signal that they do not need to further increase rates. Economic activity has been more resilient than anticipated and recessions have been avoided by major developed market economies. Finally, companies' earnings have also held up well. These factors combined to provide a solid foundation for a pick-up in both equity\* and fixed income\* markets in the final quarter of 2023.

In Q1 2024, the global economy has been marked by inflation falling and, outside of the US, a low level of economic growth. The overall outlook remained optimistic, with anticipation of gradual recovery throughout the year, fuelled by interest rate cuts and better earnings from companies. Some data in April from the US suggested that the world's largest economy may be slowing, but economic resilience has been the overarching theme. Central banks have maintained their stance on progressively reducing interest rates as we advance through 2024. Investors, having witnessed the robustness in the economy and corporate earnings, are not now expecting rate cuts as quickly which is a view more consistent with global central banks.

##### Fund performance and activity

The Fund marginally outperformed its stated benchmark during the reporting period.

The Fund had more exposure to Japanese equities than the benchmark and this exposure contributed positively to performance compared to the benchmark. The exposure to Japanese equities was funded by reducing the European equity exposure. Unfortunately, the European position hurt the Fund in terms of performance compared to the benchmark for most of the period. In fixed income the Fund had more exposure to United Kingdom (UK) and Global Government bonds than the benchmark, which negatively impacted during the reporting period. The Fund had less High Yield\* exposure than the benchmark with the difference invested in cash funds, or money market funds. These are invested in low-risk fixed income bonds generally maturing within one year.

The Fund invests in funds for exposure to different asset classes. In equities, the exposure to US growth and technology companies using a fund called NASDAQ 100 Exchange Traded fund (ETF), was a top performer during the period. The GQG Partners US Equity fund demonstrated strong performance in the first quarter of 2024, whilst the IFSL Evenlode Income fund struggled in the latter part of

The Man GLG Sterling Corporate Bond fund continued to demonstrate good performance. Broadly, the funds with exposure to shorter-dated bonds (which typically hold bonds which mature within 5 years or less) performed better, whilst exposure to longer-dated bonds (typically with maturity greater than 10 years) negatively impacted performance.

##### Market outlook and Fund strategy

The most recent data from the US suggested that the world's largest economy is beginning to show signs of slowing. This is good news for interest rate cuts, but it is still expected that the US Central Bank will cut interest rates after its European and UK counterparts.

The Multi-Asset Team's current view is for a modest rather than significant slowdown in global economic growth, with falling inflation leading to interest rate cuts. This sets the stage for government bonds to outshine cash. Meanwhile in equities, there may be a broadening out of the recovery, so the very large tech companies no longer dominate the picture.

## IFSL MARLBOROUGH CAUTIOUS FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 30 April 2024

#### Investment commentary (continued)

##### Market outlook and Fund strategy (continued)

There is a possibility the global economy could remain stronger for longer than the Team's current view. In this scenario, robust companies would continue to generate strong earnings and bonds would offer higher income levels until eventual interest rate cuts occur.

On the flipside, if the economic picture turns out to be less positive, then this is only likely to accelerate the pace of interest rate cuts, leading to more significant outperformance from government bonds. Although this scenario could initially impact equities negatively, lower interest rates would be likely to stimulate economic activity, driving market gains.

Marlborough Investment Management Limited  
20 May 2024

##### Explanation of terms\*

Benchmark – comparator for performance purposes

Equity – shares of ownership in a company

Fixed income security - a loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

High Yield – a fixed income asset class containing bonds that pay higher interest rates because they have lower credit ratings than higher quality, investment-grade bonds

#### Distributions

	<u>Year 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>A Income (pence per unit)<sup>A</sup></u>				
Net income paid 30 June	N/A	1.0062	0.5717	0.5054
Net income paid 31 December		N/A	0.6573	0.7963
<u>A Accumulation (pence per unit)</u>				
Net accumulation paid 30 June	1.9578	1.8140	1.0155	0.8852
Net accumulation paid 31 December		1.6904	1.1755	1.3984
<u>P Income (pence per unit)</u>				
Net income paid 30 June	1.1375	1.0848	0.6105	0.5372
Net income paid 31 December		1.0034	0.7062	0.8494
<u>P Accumulation (pence per unit)</u>				
Net accumulation paid 30 June	1.3651	1.2870	0.7123	0.6192
Net accumulation paid 31 December		1.2048	0.8310	0.9876

<sup>A</sup> On 24 May 2023, the A Income unit class was converted to the P Income unit class, and the A Income unit class was closed.

## IFSL MARLBOROUGH CAUTIOUS FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 30 April 2024

#### Portfolio changes

<u>Largest purchases</u>	<u>Cost (£)</u>
Xtrackers II Global Government Bond UCITS ETF '2D' GBP Hedged	488,927
Xtrackers S&P 500 Equal Weight UCITS ETF '1C' USD	306,814
iShares Global Govt Bond UCITS ETF GBP Hedged	286,845
Royal London Short-Term Money Market 'Y'	285,400
iShares ESG Overseas Corporate Bond Index 'D' GBP	270,300
iShares Core FTSE 100 UCITS ETF GBP	221,332
Vanguard FTSE UK Equity Income Index 'A' GBP	196,800
Fidelity UK Smaller Companies 'W'	189,200
Vanguard Global Short-Term Bond Index GBP Hedged	183,800
Xtrackers NASDAQ 100 UCITS ETF '1C'	178,665
Other purchases	2,674,860
Total purchases for the year	5,282,943
<u>Largest sales</u>	<u>Proceeds (£)</u>
iShares Global Govt Bond UCITS ETF USD	337,099
M&G Global Macro Bond 'I' Sterling	328,258
Vanguard FTSE UK Equity Income Index 'A' GBP	314,274
iShares JPMorgan \$ EM Bond UCITS ETF GBP Hedged	287,698
iShares Global Govt Bond UCITS ETF GBP Hedged	277,640
Allianz UK Listed Equity Income 'E' GBP	246,504
iShares Core S&P 500 UCITS ETF USD	245,982
Xtrackers II Global Government Bond UCITS ETF '2D' GBP Hedged	233,194
iShares Global High Yield Corp Bond GBP Hedged UCITS ETF	227,473
Royal London Short-Term Money Market 'Y'	201,800
Other sales	3,233,254
Total sales for the year	5,933,176

## **IFSL MARLBOROUGH CAUTIOUS FUND**

### **AUTHORISED STATUS**

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

### **GENERAL INFORMATION**

#### **Investment objective**

The investment objective of the Fund is to increase the value of your investment over any 5 year period, through a combination of income, that is, money paid out of an investment, such as interest from bonds or dividends from shares and some capital growth, that is, profit on investments. The Fund aims to outperform the average of the IA Mixed Investment 20-60% Shares sector, after charges, over any 5 year period. However, there is no certainty this will be achieved.

#### **Investment policy**

At least 80% of the Fund will be invested in other funds, including exchange traded funds (which typically track an index) and investment trusts. This may include other funds operated by the Authorised Fund Manager (AFM) or its associates. Through these investments, the Fund will be exposed to a range of asset classes, creating a low to medium risk portfolio.

Between 20-60% of the Fund will be exposed to shares in companies, both UK and overseas, but typically this will be between 40-60%.

At least 30% of the Fund will also be exposed to bonds, which are loans typically issued by companies and governments, and cash. This may include investment grade bonds, where the issuer has a higher capacity to repay the debt, as well as sub-investment grade bonds, which can be more vulnerable to changing market conditions but typically pay a higher rate of interest.

Through investing in funds, the Fund's portfolio may also be exposed to other asset classes such as property, commodities (such as gold and oil), money market instruments, which are shorter term loans, cash and other permitted investments. Funds purchased may also have the ability to use derivatives (investments whose returns are linked to another asset, market or other variable factor) to varying degrees, including funds which aim to deliver positive returns in a range of market conditions, often referred to as absolute return funds.

The Fund may also invest in these asset classes directly (excluding property and commodities) up to a maximum of 20%.

The Fund is actively managed, which means the Investment Manager decides which investments to buy or sell and when. Investments will span a range of developed and emerging markets globally with no maximum or minimum exposure to any one market or geographical region.

Decisions around asset allocation are based on the Investment Manager's research process which considers the potential for loss as well as the overall return expectations for an asset class.

The Fund may invest in derivatives or forward transactions whose returns are linked to exchange rates in order to reduce currency risk (also known as hedging).

#### **Performance target**

The performance target is the level of performance the Fund aims to deliver after charges and with income reinvested 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. This Fund aims to be in the top half of all funds included in the IA Mixed Investment 20-60% Shares 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 Authorised Fund Manager (AFM) is required to carry out an assessment of value at least annually and publish its findings in a report to investors. IFSL Marlborough Cautious Fund is assessed and reported on, in a composite report which the Manager publishes on the website [www.ifslfunds.com](http://www.ifslfunds.com). The next report is expected to be published in a composite report by 30 September 2024.

## IFSL MARLBOROUGH CAUTIOUS FUND

### GENERAL INFORMATION

#### Taskforce on climate related financial disclosures

A statement of the climate-related financial disclosures is published on the website <https://www.ifsifunds.com/tcfd-reporting>.

#### Changes in prospectus

No significant changes have been made since the last 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.

#### Leverage

In accordance with the Alternative Investment Fund Manager Directive (AIFMD) the ACD are required to disclose the 'leverage' of the Fund. Leverage is defined as any method by which a fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways: 'gross method'; and 'commitment method'. The Fund must not exceed maximum exposures under both methods. 'Gross method' exposure is calculated as the sum of all positions of the Fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes. 'Commitment method' is also calculated as the sum of all positions of the Fund (both positive and negative), but after netting off any derivative and security positions as specified by AIFMD rules.

The Fund is subject to a maximum level of incremental leverage of 10 per cent (or 1:10) under the commitment method and 60 per cent (or 0.6:1) under the gross method.

For clarification, under the UK AIFM Regime this means the maximum level of leverage is 110 per cent (or 1.1:1) under the commitment method and 160 per cent (or 1.6:1) under the gross method.

The total amount of leverage, and the utilisation of the maximum level of leverage, calculated as at 30 April 2024, is as follows:

Fund Name	Gross Method		Commitment Method	
	Total	Utilisation	Total	Utilisation
IFSL Marlborough Cautious Fund	97.95%	61.22%	97.95%	89.05%

The total amount of leverage, and the utilisation of the maximum level of leverage, calculated as at 30 April 2023, is as follows:

Fund Name	Gross Method		Commitment Method	
	Total	Utilisation	Total	Utilisation
IFSL Marlborough Cautious Fund	93.06%	58.16%	93.06%	84.60%



## IFSL MARLBOROUGH CAUTIOUS FUND

### GENERAL INFORMATION

#### Remuneration policy

In line with the requirements of the AIFMD, Investment Fund Services Limited, the Alternative Investment Fund Manager (AIFM), is 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 the AIFMD. 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 Alternative Investment Funds (AIFs) it manages.

The quantitative remuneration disclosures as at 30 September 2023 (the AIFM's year end) are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
<b>Remuneration paid to staff of the AIFM who have a material impact on the risk profile of the Fund</b>				
Senior management	8	908,018	769,628	139,390
Risk takers and other identified staff	4	411,040	375,277	35,763
<b>Allocation of total remuneration of the employees of the AIFM to the Fund</b>				
Senior management	0.01	467	395	72
Risk takers and other identified staff	0.01	211	193	18

The total number of staff employed by the AIFM's group was 238 at 30 September 2023. The total remuneration paid to those staff was £12,464,744 of which £4,346,942 is attributable to the AIFM. This information is provided for the purpose of Regulation 107(1)(a) of the AIFM regulations but not for the purposes of Regulations 107(1)(b) and (c) of the AIFM regulations.

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 AIFM's group. The way these disclosures are calculated may change in the future.

## IFSL MARLBOROUGH CAUTIOUS 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  
30 August 2024

### STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

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

In preparing the 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 CAUTIOUS 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 Cautious Fund ("the Trust") for the Period Ended 30 April 2024

The Depositary in its capacity as Trustee of IFSL Marlborough Cautious Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds 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 Alternative Investment Fund Manager ("the AIFM") 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 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 AIFM:

(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; and

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

HSBC Bank plc  
30 August 2024

## IFSL MARLBOROUGH CAUTIOUS FUND

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH CAUTIOUS FUND

#### Opinion

We have audited the financial statements of IFSL Marlborough Cautious Fund ("the Fund") for the year ended 30 April 2024, 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 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 30 April 2024 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

#### Basis for opinion

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

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authorised Fund Manager's ("the AFM") 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 AFM 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. The AFM is responsible for the other information contained in 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 CAUTIOUS FUND**

### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH CAUTIOUS 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 AFM'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 AFM**

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities statement set out on page 7, the AFM 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 AFM 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 AFM 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 AFM 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.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH CAUTIOUS 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 AFM 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 AFM 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 Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Fund's Unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP  
Statutory Auditor  
Edinburgh

30 August 2024

**Notes:**

1. The maintenance and integrity of the Investment Fund Services Limited website is the responsibility of the AFM; 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 CAUTIOUS FUND**
**COMPARATIVE TABLE**
**A Income units**

<b>Change in net assets per unit</b>	<b>Period to 24.05.2023<sup>A</sup> pence</b>	<b>Year to 30.04.2023 pence</b>	<b>Year to 30.04.2022 pence</b>
Opening net asset value per unit	82.56	86.48	90.81
Return before operating charges*	(0.18)	(0.50)	(1.10)
Operating charges	(0.11)	(1.76)	(1.86)
Return after operating charges*	(0.29)	(2.26)	(2.96)
Distributions on income units	-	(1.66)	(1.37)
Closing net asset value per unit	82.27 <sup>B</sup>	82.56	86.48

\* after direct transaction costs of: 0.02 0.02 0.02

**Performance**

Return after charges<sup>D</sup> (0.35)% (2.61)% (3.26)%

**Other information**

Closing net asset value (£)	- <sup>C</sup>	1,740,541	1,836,573
Closing number of units	- <sup>C</sup>	2,108,248	2,123,765
Operating charges	2.01% <sup>E</sup>	2.10%	2.06%
Direct transaction costs	0.03%	0.02%	0.02%

**Prices (pence per unit)**

Highest unit price	82.59	86.87	93.17
Lowest unit price	82.02	80.64	85.35

**A Accumulation units**

<b>Change in net assets per unit</b>	<b>Year to 30.04.2024 pence</b>	<b>Year to 30.04.2023 pence</b>	<b>Year to 30.04.2022 pence</b>
Opening net asset value per unit	150.65	154.65	159.93
Return before operating charges*	11.77	(0.84)	(1.99)
Operating charges	(3.15)	(3.16)	(3.29)
Return after operating charges*	8.62	(4.00)	(5.28)
Distributions on accumulation units	(3.65)	(2.99)	(2.41)
Retained distributions on accumulation units	3.65	2.99	2.41
Closing net asset value per unit	159.27	150.65	154.65

\* after direct transaction costs of: 0.04 0.03 0.03

**Performance**

Return after charges<sup>D</sup> 5.72% (2.59)% (3.30)%

**Other information**

Closing net asset value (£)	1,566,580	1,517,975	1,913,622
Closing number of units	983,622	1,007,604	1,237,372
Operating charges	2.01% <sup>E</sup>	2.10%	2.06%
Direct transaction costs	0.03%	0.02%	0.02%

**Prices (pence per unit)**

Highest unit price	160.99	155.36	164.95
Lowest unit price	145.22	144.21	151.63

<sup>A</sup> On 24 May 2023, the A Income unit class was converted to the P Income unit class, and the A Income unit class was closed.

<sup>B</sup> Closing net asset value per unit is based on the last available quoted price.

<sup>C</sup> Closing net asset value and closing number of units as at 24 May 2023.

<sup>D</sup> The return after charges is calculated using the underlying investments bid prices.

<sup>E</sup> On 30 November 2023, The Investment Association amended the disclosure of fund charges and costs originally issued on the 2 July 2020. Consequently, we have excluded, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

**IFSL MARLBOROUGH CAUTIOUS FUND**
**COMPARATIVE TABLE**

<b><u>P Income units</u></b>	<b>Year to 30.04.2024</b>	<b>Year to 30.04.2023</b>	<b>Year to 30.04.2022</b>
<b>Change in net assets per unit</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	89.19	92.72	96.63
Return before operating charges*	6.81	(0.52)	(1.19)
Operating charges	(1.13)	(1.22)	(1.26)
Return after operating charges*	5.68	(1.74)	(2.45)
Distributions on income units	(2.14)	(1.79)	(1.46)
Closing net asset value per unit	92.73	89.19	92.72
* after direct transaction costs of:	0.02	0.02	0.02
<b>Performance</b>			
Return after charges <sup>A</sup>	6.37%	(1.88)%	(2.54)%
<b>Other information</b>			
Closing net asset value (£)	1,495,499	1,385,451	1,537,653
Closing number of units	1,612,678	1,553,379	1,658,354
Operating charges	1.26% <sup>B</sup>	1.35%	1.31%
Direct transaction costs	0.03%	0.02%	0.02%
<b>Prices (pence per unit)</b>			
Highest unit price	94.84	93.35	99.41
Lowest unit price	85.62	86.76	91.41
<b><u>P Accumulation units</u></b>	<b>Year to 30.04.2024</b>	<b>Year to 30.04.2023</b>	<b>Year to 30.04.2022</b>
<b>Change in net assets per unit</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	107.09	109.11	112.00
Return before operating charges*	8.31	(0.58)	(1.42)
Operating charges	(1.37)	(1.44)	(1.47)
Return after operating charges*	6.94	(2.02)	(2.89)
Distributions on accumulation units	(2.57)	(2.12)	(1.70)
Retained distributions on accumulation units	2.57	2.12	1.70
Closing net asset value per unit	114.03	107.09	109.11
* after direct transaction costs of:	0.03	0.02	0.02
<b>Performance</b>			
Return after charges <sup>A</sup>	6.48%	(1.85)%	(2.58)%
<b>Other information</b>			
Closing net asset value (£)	1,907,082	952,472	1,446,837
Closing number of units	1,672,373	889,385	1,325,983
Operating charges	1.26% <sup>B</sup>	1.35%	1.31%
Direct transaction costs	0.03%	0.02%	0.02%
<b>Prices (pence per unit)</b>			
Highest unit price	115.23	110.07	115.99
Lowest unit price	103.60	102.10	106.87

<sup>A</sup> The return after charges is calculated using the underlying investments bid prices.

<sup>B</sup> On 30 November 2023, The Investment Association amended the disclosure of fund charges and costs originally issued on the 2 July 2020. Consequently, we have excluded, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

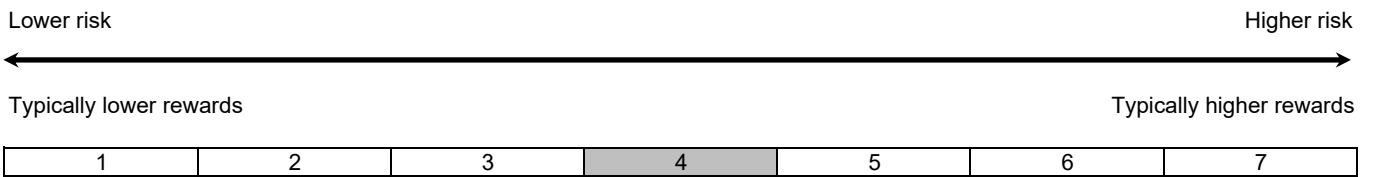
Operating charges are normally the same as the Ongoing Charges Figures (OCFs) and are the total expenses paid by each unit class in the year. Where it is considered unsuitable to use the total expenses paid by each unit class in the year to calculate the OCF because of material changes to the Fund's charges an estimate will be calculated instead. The OCFs disclosed in the Key Investor Information Document (KIID) (available on IFSL's website, [www.ifslfunds.com](http://www.ifslfunds.com)) give an estimate of future costs.

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 CAUTIOUS 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 remained unchanged.

**IFSL MARLBOROUGH CAUTIOUS FUND**

**PORTFOLIO STATEMENT**

as at 30 April 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>EQUITIES</b> (30 April 2023 - 44.42%)		
<b>Asia Pacific excluding Japan</b> (30 April 2023 - 2.94%)		
22,070 Fidelity Asia Pacific Opportunities 'W'	64,797	1.30
512 iShares MSCI EM Asia UCITS ETF USD <sup>A</sup>	67,688	1.36
Total Asia Pacific excluding Japan	132,485	2.66
<b>Europe excluding UK</b> (30 April 2023 - 5.36%)		
719 IFSL Marlborough European Special Situations 'P'	5,323	0.11
41,857 Janus Henderson European Focus 'I' GBP	166,422	3.35
Total Europe excluding UK	171,745	3.46
<b>Europe including UK</b> (30 April 2023 - 1.59%)		
14,523 iShares MSCI Europe Quality Dividend ESG UCITS ETF EUR <sup>A</sup>	75,069	1.51
Total Europe including UK	75,069	1.51
<b>Global Emerging Markets</b> (30 April 2023 - 2.95%)		
11,529 Baillie Gifford Emerging Markets Leading Companies 'B'	66,525	1.34
2,247 JPM Emerging Markets Income 'C' Net	2,441	0.05
1,646 Vanguard FTSE Emerging Markets UCITS ETF USD <sup>A</sup>	76,728	1.54
Total Global Emerging Markets	145,694	2.93
<b>Japan</b> (30 April 2023 - 2.80%)		
2,612 iShares Core MSCI Japan IMI UCITS ETF USD <sup>A</sup>	111,898	2.25
1,451 M&G Japan 'I' Sterling	55,204	1.11
251 Man GLG Japan CoreAlpha Equity 'I' GBP	72,258	1.46
Total Japan	239,360	4.82
<b>North America</b> (30 April 2023 - 14.66%)		
4,673 GQG Partners US Equity 'I' GBP	83,049	1.67
469 iShares Core S&P 500 UCITS ETF USD <sup>A</sup>	201,248	4.05
17,929 SPDR S&P 500 UCITS ETF <sup>A</sup>	176,488	3.55
5,332 Xtrackers NASDAQ 100 UCITS ETF '1C' <sup>A</sup>	173,539	3.49
2,624 Xtrackers S&P 500 Equal Weight UCITS ETF '1C' USD <sup>A</sup>	184,216	3.71
Total North America	818,540	16.47
<b>UK All Companies</b> (30 April 2023 - 4.73%)		
47,579 IFSL Evenlode Income 'C'	196,472	3.95
29,703 iShares Core FTSE 100 UCITS ETF GBP <sup>A</sup>	238,367	4.80
Total UK All Companies	434,839	8.75
<b>UK Equity Income</b> (30 April 2023 - 9.29%)		
810 Vanguard FTSE UK Equity Income Index 'A' GBP	138,833	2.79
Total UK Equity Income	138,833	2.79
<b>UK Smaller Companies</b> (30 April 2023 - 0.10%)		
17,221 Fidelity UK Smaller Companies 'W'	68,608	1.38
Total UK Smaller Companies	68,608	1.38
<b>Total Equities</b>	<b>2,225,173</b>	<b>44.77</b>
<b>FIXED INTEREST</b> (30 April 2023 - 43.89%)		
<b>Global Corporate Bond</b> (30 April 2023 - 6.45%)		
155,620 iShares ESG Overseas Corporate Bond Index 'D' GBP	250,008	5.03
6,792 iShares Global Corp Bond UCITS ETF GBP Hedged <sup>A</sup>	29,885	0.60
2,613 Vanguard Global Credit Bond GBP Hedged	291,790	5.87
1,161 Vanguard Global Short-Term Corporate Bond Index GBP Hedged	123,087	2.48
Total Global Corporate Bond	694,770	13.98

**IFSL MARLBOROUGH CAUTIOUS FUND**
**PORTFOLIO STATEMENT**

as at 30 April 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>FIXED INTEREST</b> (continued)		
<b>Global Emerging Markets Bond</b> (30 April 2023 - 5.50%)		
2,054 iShares JPMorgan \$ EM Bond UCITS ETF USD <sup>A</sup>	140,165	2.82
81,455 M&G Emerging Markets Bond 'I' Sterling	163,341	3.29
Total Global Emerging Markets Bond	303,506	6.11
<b>Global Government Bond</b> (30 April 2023 - 3.73%)		
10,530 Xtrackers II Global Government Bond UCITS ETF '2D' GBP Hedged <sup>A</sup>	246,507	4.96
Total Global Government Bond	246,507	4.96
<b>Global High Yield Bond</b> (30 April 2023 - 4.00%)		
<b>Global Mixed Bond</b> (30 April 2023 - 7.73%)		
1,721 Vanguard Global Short-Term Bond Index GBP Hedged	188,081	3.78
Total Global Mixed Bond	188,081	3.78
<b>Sterling Corporate Bond</b> (30 April 2023 - 7.99%)		
111,645 Artemis Corporate Bond 'I' GBP	117,729	2.37
138,079 Man GLG Sterling Corporate Bond 'Inst'	161,414	3.25
Total Sterling Corporate Bond	279,143	5.62
<b>Sterling High Yield</b> (30 April 2023 - Nil)		
37,841 Aegon High Yield Bond 'S' Sterling	50,238	1.01
Total Sterling High Yield	50,238	1.01
<b>Sterling Strategic Bond</b> (30 April 2023 - 5.04%)		
111,878 AXA Global Short Duration Bond 'ZI' GBP	126,087	2.54
129,426 FTF Brandywine Global Income Optimiser 'S' GBP	113,674	2.29
Total Sterling Strategic Bond	239,761	4.83
<b>UK Gilts</b> (30 April 2023 - 3.45%)		
19,797 iShares Core UK Gilts UCITS ETF GBP <sup>A</sup>	200,841	4.04
104,957 iShares Over 15 Years Gilts Index 'D' GBP	71,483	1.44
527 iShares UK Gilts 0-5yr UCITS ETF GBP <sup>A</sup>	66,434	1.34
Total UK Gilts	338,758	6.82
<b>Total Fixed Interest</b>	2,340,764	47.11
<b>OTHER</b> (30 April 2023 - 5.41%)		
<b>Commodities and Natural Resources</b> (30 April 2023 - Nil)		
2,075 Xtrackers IE Physical Gold ETC USD <sup>A</sup>	59,014	1.19
Total Commodities and Natural Resources	59,014	1.19
<b>Infrastructure</b> (30 April 2023 - 3.24%)		
115,378 IFSL Marlborough Global Essential Infrastructure 'X'	113,382	2.28
34,378 M&G Global Listed Infrastructure 'I' Sterling	53,912	1.09
Total Infrastructure	167,294	3.37
<b>Targeted Absolute Return</b> (30 April 2023 - 2.17%)		
<b>Total Other</b>	226,308	4.56
<b>Portfolio of investments</b>	4,792,245	96.44
<b>Net other assets</b>	176,916	3.56
<b>Total net assets</b>	4,969,161	100.00

All investments are units/shares in ICVCs and unit trusts which are authorised or 'recognised' by the FCA with the exception of <sup>A</sup> which are open ended exchange traded funds.

**IFSL MARLBOROUGH CAUTIOUS FUND**

**STATEMENT OF TOTAL RETURN**

for the year ended 30 April 2024

	Notes	30 April 2024		30 April 2023	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		212,537		(213,663)
Revenue	6	154,969		142,251	
Expenses	7	<u>(54,516)</u>		<u>(82,750)</u>	
Net revenue before taxation		100,453		59,501	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>100,453</u>		<u>59,501</u>
Total return before distributions			312,990		(154,162)
Distributions	9		(124,812)		(118,908)
Change in net assets attributable to unitholders from investment activities			<u>188,178</u>		<u>(273,070)</u>

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

for the year ended 30 April 2024

	30 April 2024		30 April 2023	
	£	£	£	£
Opening net assets attributable to unitholders		5,596,439		6,734,685
Amounts receivable on issue of units	1,624,676		58,709	
Amounts payable on cancellation of units	(2,507,208)		(975,185)	
Amounts payable on unit class conversions	<u>2</u>		<u>1</u>	
		(882,530)		(916,475)
Dilution adjustment		285		204
Change in net assets attributable to unitholders from investment activities		188,178		(273,070)
Retained distribution on accumulation units		66,789		51,095
Closing net assets attributable to unitholders		<u>4,969,161</u>		<u>5,596,439</u>

**IFSL MARLBOROUGH CAUTIOUS FUND**

**BALANCE SHEET**

as at 30 April 2024

	Notes	30 April 2024 £	30 April 2023 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments	17	4,792,245	5,244,716
<b>Current Assets:</b>			
Debtors	10	3,211	122,420
Cash and cash equivalents	12	207,180	341,060
Total assets		<u>5,002,636</u>	<u>5,708,196</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Bank overdrafts		1,744	-
Distribution payable on income units		18,345	38,066
Other creditors	11	13,386	73,691
Total liabilities		<u>33,475</u>	<u>111,757</u>
<b>Net assets attributable to unitholders</b>		<u><u>4,969,161</u></u>	<u><u>5,596,439</u></u>

## IFSL MARLBOROUGH CAUTIOUS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2024

#### 1 ACCOUNTING POLICIES

##### **Basis of preparation**

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice ("SORP") for 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**

Dividends from quoted ordinary securities and distributions receivable from onshore collective investment schemes are recognised when the security is quoted ex-dividend.

Income from offshore collective investment schemes is recorded on the ex-dividend date and additional reported income is recognised when reported.

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 AFM'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. The AFM's periodic charge is treated as a capital expense. This may constrain capital growth.

##### **Management fee rebates**

Rebates on collective investment schemes' management fees are accounted for on an accruals basis and are subsequently attributed to the revenue or capital of the Fund depending on the fee structure of the underlying collective investment scheme.

##### **Distributions from collective investment schemes**

Distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of revenue included in the price paid for the shares. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit.

##### **Valuation**

The valuation point was 12:00 on 30 April 2024 being the last valuation point of the accounting year.

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

Investments in collective investment schemes have been valued at cancellation price for dual-priced funds or the single price for single priced funds, using the latest available published prices at the year end.

##### **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 April 2024 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 30 April 2024

**2 DISTRIBUTION POLICIES**

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

During the year, the Fund was less than 60% invested in qualifying investments (as defined by SI 2006/964, Reg. 20) and therefore qualified as an equity fund. The Fund paid dividend distributions.

**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 AFM'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 AFM in pursuance of the investment objective and policy as set out in the Prospectus.

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

**Foreign currency risk**

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

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

**Credit and counterparty risk**

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

**Interest rate risk**

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

**Liquidity risk**

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

## IFSL MARLBOROUGH CAUTIOUS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2024

#### RISK MANAGEMENT POLICIES (continued)

##### Concentration risk

Some of the underlying collective investment schemes invest solely in certain markets, such as UK shares or fixed interest securities. This allows them to focus on those markets' potential but means that they are not spread amongst a range of markets. Securities in the same market tend to be affected by the same factors, so the collective investment schemes may experience greater fluctuations in price. The asset allocations aim to minimise this risk whenever possible, whilst still meeting the objectives of the Fund.

4 NET CAPITAL GAINS/(LOSSES)	30 April 2024	30 April 2023
	£	£
The net gains/(losses) on investments during the year comprise:		
Realised losses on investments	(76,437)	(67,664)
Unrealised gains/(losses) on investments	290,088	(141,007)
Other currency gains/(losses)	387	(3,627)
Renewal commission	253	115
Transaction charges	(1,754)	(1,480)
<b>Net capital gains/(losses)</b>	<u>212,537</u>	<u>(213,663)</u>
5 PURCHASES, SALES AND TRANSACTION COSTS	30 April 2024	30 April 2023
	£	£
Purchases excluding transaction costs:		
Collective Investment Schemes	1,928,100	2,872,320
Exchange Traded Funds	3,353,964	2,591,531
	<u>5,282,064</u>	<u>5,463,851</u>
Exchange Traded Funds: Commissions	879	648
Total purchases transaction costs	<u>879</u>	<u>648</u>
<b>Purchases including transaction costs</b>	<u>5,282,943</u>	<u>5,464,499</u>
Purchases transaction costs expressed as a percentage of the principal amount:		
Exchange Traded Funds: Commissions	0.03%	0.03%
Sales excluding transaction costs:		
Collective Investment Schemes	2,373,413	3,459,532
Exchange Traded Funds	3,560,686	2,869,481
	<u>5,934,099</u>	<u>6,329,013</u>
Exchange Traded Funds: Commissions	(923)	(717)
Total sales transaction costs	<u>(923)</u>	<u>(717)</u>
<b>Sales net of transaction costs</b>	<u>5,933,176</u>	<u>6,328,296</u>
Sales transaction costs expressed as a percentage of the principal amount:		
Exchange Traded Funds: Commissions	0.03%	0.02%
Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:		
Commissions	0.03%	0.02%
Taxes and other charges	0.00%	0.00%
	<u>0.03%</u>	<u>0.02%</u>
Transaction costs are commissions paid to agents, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the Fund. These exclude any differences between quoted bid and offer prices or internal administrative on holding costs.		
<b>Transaction handling charges</b>		
These are charges payable to the trustee in respect of each transaction.	1,754	1,480
<b>Average portfolio dealing spread</b>		
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	0.03%	0.06%



**IFSL MARLBOROUGH CAUTIOUS FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 April 2024

<b>6 REVENUE</b>	<b>30 April 2024</b>	<b>30 April 2023</b>
	£	£
UK dividends	23,609	30,199
Overseas dividends	26,012	39,388
Interest distributions	102,773	69,780
Management fee rebates	(551)	27
Bank interest	3,126	2,857
<b>Total revenue</b>	<u>154,969</u>	<u>142,251</u>
<b>7 EXPENSES</b>	<b>30 April 2024</b>	<b>30 April 2023</b>
	£	£
Payable to the AFM or associate:		
AFM's periodic charge	43,156	71,737
Registration fees	987	1,082
	<u>44,143</u>	<u>72,819</u>
Other expenses:		
Trustee's fees	1,529	2,175
Safe Custody fees	350	397
Financial Conduct Authority fee	27	(17)
Audit fee	8,467	7,376
	<u>10,373</u>	<u>9,931</u>
<b>Total expenses</b>	<u>54,516</u>	<u>82,750</u>
<b>8 TAXATION</b>	<b>30 April 2024</b>	<b>30 April 2023</b>
	£	£
a Analysis of the tax charge for the year		
UK corporation tax at 20%	-	-
<b>Total tax charge for the year</b> (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	100,453	59,501
UK corporation tax at 20% (2023: 20%)	<u>20,091</u>	<u>11,900</u>
Effects of:		
Revenue not subject to taxation	(9,924)	(13,917)
Tax effect of capitalised management fee rebate	50	23
Unrelieved excess management expenses	(10,217)	1,989
Unrelieved excess management expenses from prior years	-	5
<b>Total tax charge for the year</b> (see note 8(a))	<u>-</u>	<u>-</u>
c At 30 April 2024 the Fund has deferred tax assets of £97,504 (2023: £107,721) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.		

## IFSL MARLBOROUGH CAUTIOUS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2024

#### 9 DISTRIBUTIONS

	30 April 2024	30 April 2023
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Interim	58,004	46,542
Final	60,434	67,791
Amounts deducted on cancellation of units	19,151	4,806
Amounts received on issue of units	(12,777)	(230)
Equalisation on conversions	2	1
Revenue brought forward	(2)	(2)
<b>Distributions</b>	<u>124,812</u>	<u>118,908</u>
Movement between net revenue and distributions:		
Net revenue after taxation	100,453	59,501
Add: AFM's periodic charge borne by capital	43,156	71,737
Deduct: Tax effect of AFM's periodic charge borne by capital	(18,797)	(12,330)
	<u>124,812</u>	<u>118,908</u>

#### 10 DEBTORS

	30 April 2024	30 April 2023
	£	£
Amounts receivable for issue of units	26	-
Sales awaiting settlement	-	109,238
Accrued income	3,185	13,177
Taxation recoverable	-	5
<b>Total debtors</b>	<u>3,211</u>	<u>122,420</u>

#### 11 OTHER CREDITORS

	30 April 2024	30 April 2023
	£	£
Amounts payable for cancellation of units	1	3,493
Purchases awaiting settlement	-	56,300
AFM's periodic charge and registration fees	4,131	5,589
Accrued expenses	9,254	8,309
<b>Total other creditors</b>	<u>13,386</u>	<u>73,691</u>

#### 12 CASH AND CASH EQUIVALENTS

	30 April 2024	30 April 2023
	£	£
Short-term money market investments	92,572	-
Cash and bank balances	114,608	341,060
	<u>207,180</u>	<u>341,060</u>

#### 13 RELATED PARTIES

The AFM 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 from/to the AFM in respect of unit transactions at the year end are disclosed in notes 10 and 11, respectively. Amounts paid to the AFM in respect of the AFM's periodic charge and registration fees are disclosed in note 7. Amounts due to the AFM at the year end are £4,106 (2023: £9,082).

#### 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 / Accumulation	1.50%
P Income / Accumulation	0.75%

## IFSL MARLBOROUGH CAUTIOUS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2024

#### 15 UNITHOLDERS' FUNDS RECONCILIATION

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

	A Income	A Accumulation
Opening units in issue at 1 May 2023	2,108,248	1,007,604
Unit issues	-	974,650
Unit cancellations	-	(936)
Unit conversions	(2,108,248)	(997,696)
Closing units in issue at 30 April 2024	-	983,622
	P Income	P Accumulation
Opening units in issue at 1 May 2023	1,553,379	889,385
Unit issues	83,708	33,096
Unit cancellations	(1,975,208)	(652,936)
Unit conversions	1,950,799	1,402,828
Closing units in issue at 30 April 2024	1,612,678	1,672,373

#### 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 £239,612 (2023: £262,236). 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 30 April 2024

	Investments £	Net other assets £	Total £
Euro	-	178	178
US dollar	660,945	-	660,945
	660,945	178	661,123

##### Foreign currency exposure at 30 April 2023

	Investments £	Net other assets £	Total £
Euro	-	159	159
US dollar	347,683	-	347,683
	347,683	159	347,842

##### 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 £33,056 (2023: £17,392). A five per cent increase would have an equal and opposite effect.

##### Interest rate risk

30 April 2024

£

30 April 2023

£

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

Financial assets floating rate <sup>A</sup>	114,608	341,060
Financial assets interest bearing instruments	2,433,336	2,456,591
Financial assets non-interest bearing instruments	2,454,692	2,910,545
Financial liabilities floating rate <sup>A</sup>	(1,744)	-
Financial liabilities non-interest bearing instruments	(31,731)	(111,757)
	4,969,161	5,596,439

<sup>A</sup> Floating rate assets and liabilities comprise bank balances and overdrafts, whose rates are determined by reference to SONIA or an international equivalent borrowing rate. Interest on investments is variable based on the distribution received from underlying investments.

##### Interest rate risk sensitivity

An interest rate sensitivity disclosure has not been included because the investments held by the Fund are collective investment schemes, which may invest in interest bearing financial assets, however, information regarding these investments is not available from the ACD/fund managers as at the Fund's balance sheet date.

## IFSL MARLBOROUGH CAUTIOUS FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2024

#### RISK DISCLOSURES (continued)

##### Liquidity risk

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

		30 April 2024	30 April 2023
		£	£
On demand:	Bank overdrafts	1,744	-
Within one year:	Distribution payable on income units	18,345	38,066
	Other creditors	13,386	73,691
		<u>33,475</u>	<u>111,757</u>

#### 17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	30 April 2024		30 April 2023	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	2,048,087	-	2,094,591	-
Level 2 - Observable market data	2,744,158	-	3,150,125	-
Level 3 - Unobservable data	-	-	-	-
	<u>4,792,245</u>	<u>-</u>	<u>5,244,716</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 30 April 2024, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	30 April 2024 <sup>A</sup>	27 August 2024	Movement (%)
A Accumulation	159.27	163.55	2.69%
P Income	93.89	95.45	1.66%
P Accumulation	114.06	117.32	2.86%

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

**IFSL MARLBOROUGH CAUTIOUS FUND**

**DISTRIBUTION TABLE**

**Interim distribution for the period from 1 May 2023 to 31 October 2023**

Group 1: units purchased prior to 1 May 2023

Group 2: units purchased on or after 1 May 2023

		Net revenue 31 October 2023 pence per unit	Equalisation 31 October 2023 pence per unit	Distribution paid 31 December 2023 pence per unit	Distribution paid 31 December 2022 pence per unit
A Income	Group 1	N/A	N/A	N/A	0.6573
	Group 2	N/A	N/A	N/A	0.6573
A Accumulation	Group 1	1.6904	-	1.6904	1.1755
	Group 2	0.8683	0.8221	1.6904	1.1755
P Income	Group 1	1.0034	-	1.0034	0.7062
	Group 2	0.6677	0.3357	1.0034	0.7062
P Accumulation	Group 1	1.2048	-	1.2048	0.8310
	Group 2	0.5859	0.6189	1.2048	0.8310

**Final distribution for the period from 1 November 2023 to 30 April 2024**

Group 1: units purchased prior to 1 November 2023

Group 2: units purchased on or after 1 November 2023

		Net revenue 30 April 2024 pence per unit	Equalisation 30 April 2024 pence per unit	Distribution paid 30 June 2024 pence per unit	Distribution paid 30 June 2023 pence per unit
A Income	Group 1	N/A	N/A	N/A	1.0062
	Group 2	N/A	N/A	N/A	1.0062
A Accumulation	Group 1	1.9578	-	1.9578	1.8140
	Group 2	0.6977	1.2601	1.9578	1.8140
P Income	Group 1	1.1375	-	1.1375	1.0848
	Group 2	0.7299	0.4076	1.1375	1.0848
P Accumulation	Group 1	1.3651	-	1.3651	1.2870
	Group 2	0.3522	1.0129	1.3651	1.2870

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**Investment Fund Services Limited**  
Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

**Investor Support:** (0808) 178 9321 (FREEPHONE)

**Email.** [ifslclientsupport@ifslfunds.com](mailto:ifslclientsupport@ifslfunds.com)

**Website.** [www.ifslfunds.com](http://www.ifslfunds.com)

**Fax.** (01204) 533 045

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