

Investment Fund Services

# IFSL Marlborough Extra Income Fund

Annual Report and Audited  
Financial Statements

for the year ended 20 April 2024

## **IFSL MARLBOROUGH EXTRA INCOME 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.

#### **Sub-investment Manager**

Canaccord Genuity Asset Management Limited  
88 Wood Street  
London  
EC2V 7QR

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

#### **Auditor**

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

## IFSL MARLBOROUGH EXTRA INCOME FUND

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## IFSL MARLBOROUGH EXTRA INCOME FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 20 April 2024

#### Performance to 20 April 2024

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough Extra Income Fund	10.17%	5.17%	12.48%	29.98%
IA Mixed Investment 40-85% Shares Sector	9.43%	6.59%	5.52%	23.31%
FTSE All Share Index	9.71%	4.15%	22.20%	25.68%

External Source of Economic Data: Morningstar (P Income - quoted 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

##### Performance Statement

The Fund's P Income unit class generated a return of 5.17% during the twelve-month period ending 20 April 2024, underperforming its benchmark\*, the Investment Association (IA) Mixed Investment 40-85% sector, which returned 6.59%.

The Technology sector has been very strong during the period under review with the US Tech heavy Index the NASDAQ returning 32.53%. A key driver of this has been excitement over Artificial Intelligence ('AI') generative capabilities and the hopefulness that AI will start to generate meaningful returns for such companies in the coming years. In addition, the sector benefited from interest rates perceived to be peaking in Q4 of 2023, potentially freeing up more cash for Research and Development (R&D), Mergers and Acquisitions (M&A) and Buy-backs in the future.

As a predominantly UK and income focused fund, we are limited in our exposure to the US market and Technology firms, especially growth companies that pay little or no income. When making our investment decisions, we remain mindful of our investment philosophy and the expectations of our unitholders, opting to maintain our core focus on delivering a consistent and attractive dividend stream with the potential for the dividend distributions to increase steadily year-on-year.

When looking at the markets and sectors we are positioned in, the Fund's performance has been pleasing. The Fund has outperformed both the FTSE 100 Index, which has returned 3.99% over the period and the FTSE All World Consumer Staples, which fell by 4.86%.

##### Market Review

During the period, the UK has shown positive signs of recovery from the disappointing lows for 2022 to 2023. Inflation has come down by 5.5%, providing relief to consumers and businesses alike. This disinflationary trend is pivotal to slow the eroding purchasing power of the consumer and support the UK economy. A promising milestone was achieved in June 2023, breaking the 20-month run of inflation outgrowing wages, which we hope to see bolster consumers spending and improve economic growth prospects. GDP grew by 0.6% in Q1 of 2024. Whilst modest, this growth indicates a broader recovery trajectory.

Equity markets have been trending upwards, albeit with a bout of turbulence in Q3 of 2023. The volatility experienced during that time was fuelled by fading optimism surrounding the central banks' ability to begin to lower interest rates.

In Q4 of 2023 that sentiment shifted, as the US Federal Reserve kept interest rates steady for two consecutive months - the first time this had occurred throughout the year. The pause in the interest rate hike cycle brought hope back into the eyes of investors. As a result of this, interest rate sensitive stocks were propelled upwards.

##### Fund Performance Review

3i Group was a standout performer for the year, returning 70.13%. Their large stake in Action, a European discount retailer, has dramatically improved over the last year. Action's growth has been impressive over the year, sales for their existing operations were up 16.7% and they added 303 new stores to their chain. Action's management have demonstrated great control and discipline resulting in them improving their operating profit margin by 14.3% through operating leverage and impactful cost efficiency.

A negative contributor on the year was Reckitt Benckiser. Reckitt's earnings downgrade cycle started with the publication of their 2023/24 annual report. In this report Reckitt announced lacklustre net sales, especially in their Nutrition division where both sales and volumes were down significantly from the previous year. Also, the group reported a breakdown of management controls in their Middle East operation which impacted market sentiment.

##### Portfolio Activity

Over the period, following a strong performance in their respective share prices, we took some profits on the holdings in 3i Group, CRH and BAE Systems. The proceeds from these sales were used to further diversify the fund holdings.

## **IFSL MARLBOROUGH EXTRA INCOME FUND**

### **AUTHORISED INVESTMENT MANAGER'S REPORT**

for the year ended 20 April 2024

#### **Investment commentary (continued)**

In June, we acquired Digital Realty Trust (DLR), the world's largest provider of data centre and interconnection solutions to businesses. DLR have carved themselves out a niche in the Technology & AI space where they are able to capitalise on the growing need for data storage solutions globally. They are also in possession of a substantial amount of land which allows them to develop their businesses further through joint venture and investments. At the time of purchase, the shares had a dividend yield in excess of 4.5% and the capital value of the holding has risen by 33.66% since purchase, a pleasing return in a relatively short space of time for what we expect will be a long term holding for the fund.

In March 2024, we also purchased a new holding in Ashtead Group (AHT), a leading industrial rental equipment company,. They have created a strong foothold in the US construction market, amounting to a 13% market share in the US which allows them to capitalise on the surging demand for infrastructure projects in the United States. We believe that AHT is poised to benefit from the rising emphasis on health & safety regulations and the substantial maintenance costs from owning the equipment. This diminishes the benefit of businesses having traditional ownership of the equipment, allowing for AHT to potentially thrive in the increasingly regulated environment.

#### Investment Outlook

We believe the worst is behind us in terms of economic growth concerns and rate rises. With the easing of monetary policy many economies are starting to gather momentum and the ability to generate economic growth is beginning to look more hopeful as the days go by. This should be positive for equity markets. The fund also has a substantial allocation to Fixed Income assets. In this area, we expect to see more stability in interest rates – perhaps not the precipitous interest rate cuts some had hoped for - which we believe will present us with more opportunities to increase the income yield in this area of the fund.

Canaccord Genuity Asset Management Limited  
28 May 2024

## IFSL MARLBOROUGH EXTRA INCOME FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 20 April 2024

#### Distributions

	<u>Year 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>A Income (pence per unit)</u>				
Net income paid 20 March	-	0.7623	0.7423	0.5956
Net income paid 20 June	-	1.0265	0.9805	0.7894
Net income paid 20 September		-	0.9411	0.7799
Net income paid 20 December		-	0.9693	1.0343
<u>P Income (pence per unit)</u>				
Net income paid 20 March	0.9271	0.8020	0.7831	0.6287
Net income paid 20 June	1.0793	1.0737	1.0343	0.8337
Net income paid 20 September		0.8403	0.9914	0.8228
Net income paid 20 December		1.0112	1.0194	1.0905

#### Portfolio changes

##### Largest purchases

	<u>Cost (£)</u>
Baillie Gifford US Growth Trust	615,279
RELX	530,440
JPMorgan Global Growth & Income	469,259
BP Capital 5.773% 25.05.38	415,269
Prudential 6.125% 19.12.31	406,175
GlaxoSmithKline Capital 5.25% 10.04.42	391,782
Digital Realty Trust	332,140
Ashtead Group	316,986
Phoenix Group Holdings 7.75% 06.12.53	313,556
TP ICAP Finance	300,119
Other purchases	1,343,580
Total purchases for the year	5,434,585

##### Largest sales

	<u>Proceeds (£)</u>
Scottish Widows 5.5% 16.06.23	845,000
Admiral Group	496,640
Lloyds Banking Group 7.625% Perp	449,000
Tate & Lyle	447,707
3i Group	415,299
Johnson & Johnson	365,244
Liverpool Victoria Friendly Society 6.5% 22.05.43	340,000
BAE Systems	317,399
Tesco 5.5% 13.01.33	303,891
TP ICAP 5.25% 26.01.24	300,000
Other sales	1,113,374
Total sales for the year	5,393,554

## **IFSL MARLBOROUGH EXTRA INCOME FUND**

### **AUTHORISED STATUS**

IFSL Marlborough Extra 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 operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

### **GENERAL INFORMATION**

#### **Investment objective**

The investment objective of the Fund is to pay an income in excess of that of the FTSE All Share Index over any three year accounting period whilst taking less risk, after any charges have been taken out of the Fund. The Fund also aims to deliver capital growth, that is to increase the value of your investment, over a period of 5 or more years.

#### **Investment policy**

The Investment Manager will aim to maintain volatility of the Fund (a measure of the size of short term changes in value) below 80% of the volatility of the FTSE All Share Index over any three year period.

The Fund will invest between 70% and 85% in the shares of companies and investment trusts.

The Fund will also invest up to 30% in bonds, which are loans issued by companies and other institutions. Bonds will typically be investment grade, which are issued by entities that have a high capacity to repay the debt, but it may occasionally hold sub-investment grade bonds as a result of changes to existing holdings.

At least 80% of the Fund will be invested in the shares of companies incorporated or headquartered in the UK and bonds denominated in GBP.

The Fund is actively managed, which means the Investment Manager decides which investments to buy and sell and when. The Fund will invest in a range of assets that combined are aimed at achieving the objective. The Investment Manager will look to invest in companies that are well placed to benefit from current or future trends in their market environment, that exhibit some competitive advantage and employ management which are effective custodians of shareholder funds.

The Fund may also invest in companies which are listed on overseas stock exchanges, other securities which offer returns linked to the company performance, such as warrants, preference shares and convertible bonds, as well as unquoted companies and other funds.

The Fund will normally be fully invested save for an amount to enable ready settlement of liabilities (including redemption of units) and efficient management of the Fund both generally and in relation to strategic objectives however may hold higher cash balances in extreme market conditions.

#### **Performance target**

We have chosen a performance target for the Fund, which is to pay an income in excess of that of the FTSE All Share Index over any three year accounting period whilst taking less risk. We have chosen this as it is a reasonable reflection of what can be achieved by a fund investing in these markets and asset classes, without taking more risk than a portfolio invested only in equities.

#### **Assessing performance**

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

The Fund's investment policy put it in the IA Mixed Investment 40-85% Shares sector. You may want to assess the Fund's performance compared to the performance of this sector.

#### **Rights and terms attaching to each unit class**

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

#### **Assessment of value**

The Manager is required to carry out an assessment of value at least annually and publish its findings in a report to investors. IFSL Marlborough Extra Income 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 EXTRA INCOME FUND

### GENERAL INFORMATION

#### Task force in climate related financial disclosures

A statement of the climate related disclosures is published on the website <https://www.ifslfunds.com/tcf-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.

#### 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 2023 (the AFM'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 AFM who have a material impact on the risk profile of the Fund</b>				
Senior management	8	908,018	768,628	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 AFM to the Fund</b>				
Senior management	0.03	3,089	2,615	474
Risk takers and other identified staff	0.01	1,399	1,277	122

The total number of staff employed by the AFM was 238 as at 30 September 2023. The total remuneration paid to those staff was £12,464,744, of which £4,346,942 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 EXTRA INCOME FUND

### DIRECTOR'S 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.



Helen Redmond  
Director



Sally Helston  
Director

Investment Fund Services Limited  
19 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 losses on the scheme 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 EXTRA 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 Extra Income Fund of the ("the Trust") for the Period Ended 20 April 2024.

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

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

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

HSBC Bank plc

19 August 2024

## IFSL MARLBOROUGH EXTRA INCOME FUND

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

#### Opinion

We have audited the financial statements of IFSL Marlborough Extra Income Fund ("the Fund") for the year ended 20 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 including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 20 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 (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 EXTRA INCOME FUND**

### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH EXTRA 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; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the 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 Statement of Authorised Fund Manager's Responsibilities set out on page 6, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH EXTRA 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 occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk in relation to incomplete or inaccurate revenue recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. In response to our fraud risk, we tested the appropriateness of management's classification of a sample of special dividends as either a capital or revenue return.
- 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

19 August 2024

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 EXTRA INCOME FUND**
**COMPARATIVE TABLE**

<b><u>A Income units</u></b>	<b>Period to 20.06.2023</b>	<b>Year to 20.04.2023</b>	<b>Year to 20.04.2022</b>
<b>Change in net assets per unit</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	87.24	90.54	90.29
Return before operating charges*	2.04	1.91	5.39
Operating charges	(1.46)	(1.51)	(1.60)
Return after operating charges*	0.58	0.40	3.79
Distributions on income units	-	(3.70)	(3.54)
Closing net asset value per unit	87.82 <sup>E</sup>	87.24	90.54
* after direct transaction costs of:	0.08	0.09	0.14
<b>Performance</b>			
Return after charges <sup>A</sup>	0.66%	0.44%	4.20%
<b>Other information</b>			
Closing net asset value (£)	- <sup>D</sup>	670,913	1,711,520
Closing number of units	- <sup>D</sup>	769,064	1,890,324
Operating charges	1.63% <sup>B,C</sup>	1.72% <sup>B</sup>	1.73% <sup>B</sup>
Direct transaction costs	0.78% <sup>C</sup>	0.11%	0.15%
<b>Prices (pence per unit)</b>			
Highest unit price	90.70	92.20	95.42
Lowest unit price	87.82	80.74	86.98
<b><u>P Income units</u></b>	<b>Year to 20.04.2024</b>	<b>Year to 20.04.2023</b>	<b>Year to 20.04.2022</b>
<b>Change in net assets per unit</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	94.59	96.69	95.84
Return before operating charges*	5.47	2.69	5.53
Operating charges	(0.82)	(0.90)	(0.95)
Return after operating charges*	4.65	1.79	4.58
Distributions on income units	(3.86)	(3.89)	(3.73)
Closing net asset value per unit	95.38	94.59	96.69
* after direct transaction costs of:	0.08	0.10	0.14
<b>Performance</b>			
Return after charges <sup>A</sup>	4.92%	1.85%	4.78%
<b>Other information</b>			
Closing net asset value (£)	34,980,249	34,046,212	34,057,363
Closing number of units	36,674,330	35,995,196	35,222,393
Operating charges	0.88% <sup>B</sup>	0.97% <sup>B</sup>	0.98% <sup>B</sup>
Direct transaction costs	0.09%	0.11%	0.15%
<b>Prices (pence per unit)</b>			
Highest unit price	98.55	97.32	100.62
Lowest unit price	88.12	84.96	91.81

<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.

<sup>C</sup> These figures have been annualised.

<sup>D</sup> By 20 June 2023 all A Income class units were converted to P Income class units and A Income unit class was closed.

<sup>D</sup> Closing net asset value and closing number of units as at 20 June 2023.

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

## IFSL MARLBOROUGH EXTRA INCOME FUND

### COMPARATIVE TABLE

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.

### SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)

Lower risk Higher risk

←-----→

Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
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This indicator aims to give you a measure of the price movement of this unit class 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 are used.

The Fund has been measured as 5 because its investments have experienced moderate to high volatility in the past. During the year the synthetic risk and reward indicator has remained unchanged.

**IFSL MARLBOROUGH EXTRA INCOME FUND**

**PORTFOLIO STATEMENT**

as at 20 April 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>LOAN STOCKS</b> (20 April 2023 - 22.91%)		
300,000 Admiral Group 5.5% 25.07.24	299,568	0.86
400,000 BAT International Finance 6% 24.11.34	394,204	1.13
400,000 BP Capital 5.773% 25.05.38	413,492	1.18
500,000 Brit Insurance Holdings 6.625% 09.12.30	395,695	1.13
100,000 esure Group 6.75% 19.12.24	99,000	0.28
400,000 GlaxoSmithKline Capital 5.25% 10.04.42	396,840	1.13
400,000 HSBC Holdings 5.75% 20.12.27	401,224	1.15
600,000 Legal & General Group 5.375% 27.10.45	593,250	1.70
360,000 Liverpool Victoria Friendly Society 6.5% 22.05.43	357,685	1.02
300,000 Northumbrian Water Finance 5.625% 29.04.33	295,194	0.84
300,000 Phoenix Group Holdings 7.75% 06.12.53	311,406	0.89
400,000 Prudential 6.125% 19.12.31	404,180	1.16
300,000 RL Finance Bonds No. 3 6.125% 13.11.28	300,528	0.86
600,000 Society of Lloyds (The) 4.75% 30.10.24	596,226	1.70
800,000 Society of Lloyds (The) 4.875% 07.02.47	769,496	2.20
1,000,000 Tesco 5.5% 13.01.33	1,045,000	2.99
300,000 TP ICAP Finance 7.875% 17.04.30	320,958	0.92
300,000 United Utilities 5.625% 20.12.27	302,091	0.86
78,500 Yorkshire Building Society 13.5% 01.04.25	82,322	0.24
Total Loan Stocks	7,778,359	22.24
<b>PREFERENCE SHARES</b> (20 April 2023 - 4.76%)		
330,000 Aviva 8.75% Cum Irrd Pref	438,900	1.25
355,000 Ecclesiastical Insurance Office 8.625% Non-Cum Irrd Pref	454,400	1.30
350,000 General Accident 8.875% Cum Irrd Pref	451,500	1.29
350,000 RSA Insurance Group 7.375% Cum Irrd Pref	376,250	1.08
Total Preference Shares	1,721,050	4.92
<b>EQUITIES</b> (20 April 2023 - 71.58%)		
<b>AEROSPACE AND DEFENSE</b> (20 April 2023 - 3.22%)		
80,000 BAE Systems	1,040,800	2.98
Total Aerospace and Defense	1,040,800	2.98
<b>BANKS</b> (20 April 2023 - 0.99%)		
175,000 NatWest Group	479,150	1.37
Total Banks	479,150	1.37
<b>BEVERAGES</b> (20 April 2023 - 4.26%)		
57,000 Britvic	477,090	1.36
26,165 Diageo	736,545	2.11
Total Beverages	1,213,635	3.47
<b>CLOSED END INVESTMENTS</b> (20 April 2023 - 1.75%)		
400,000 Baillie Gifford US Growth Trust	767,200	2.19
100,000 JPMorgan Global Growth & Income	541,000	1.55
580,000 The Renewables Infrastructure Group	568,980	1.63
Total Closed End Investments	1,877,180	5.37
<b>CONSTRUCTION AND MATERIALS</b> (20 April 2023 - 2.30%)		
17,500 CRH	1,087,800	3.11
Total Construction and Materials	1,087,800	3.11
<b>ELECTRICITY</b> (20 April 2023 - 3.04%)		
50,000 SSE	825,000	2.36
Total Electricity	825,000	2.36
<b>FOOD PRODUCERS</b> (20 April 2023 - 1.40%)		



**IFSL MARLBOROUGH EXTRA INCOME FUND**

**PORTFOLIO STATEMENT**

as at 20 April 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>GAS, WATER AND MULTI-UTILITIES</b> (20 April 2023 - 4.88%)		
80,000 National Grid	831,200	2.38
27,500 Severn Trent	671,825	1.92
Total Gas, Water and Multi-utilities	1,503,025	4.30
<b>GENERAL INDUSTRIALS</b> (20 April 2023 - 4.15%)		
25,000 Bunzl	743,000	2.12
203,636 Smith (DS)	806,806	2.31
Total General Industrials	1,549,806	4.43
<b>INDUSTRIAL ENGINEERING</b> (20 April 2023 - 1.70%)		
90,000 Bodycote	608,400	1.74
Total Industrial Engineering	608,400	1.74
<b>INDUSTRIAL METALS AND MINING</b> (20 April 2023 - 2.83%)		
18,000 Rio Tinto	957,060	2.74
Total Industrial Metals and Mining	957,060	2.74
<b>INDUSTRIAL SUPPORT SERVICES</b> (20 April 2023 - 2.15%)		
123,750 Rentokil Initial	511,954	1.46
Total Industrial Support Services	511,954	1.46
<b>INDUSTRIAL TRANSPORTATION</b> (20 April 2023 - 0.39%)		
6,000 Ashtead Group	331,440	0.95
143,300 Doric Nimrod Air Three Pref	71,650	0.20
44,286 Doric Nimrod Air Two Pref	51,372	0.15
Total Industrial Transportation	454,462	1.30
<b>INVESTMENT BANKING AND BROKERAGE SERVICES</b> (20 April 2023 - 6.18%)		
47,000 3i Group	1,322,580	3.78
70,000 Hargreaves Lansdown	500,360	1.43
125,588 Schroders	457,391	1.31
Total Investment Banking and Brokerage Services	2,280,331	6.52
<b>LIFE INSURANCE</b> (20 April 2023 - 1.52%)		
92,000 Phoenix Group Holdings	437,920	1.25
Total Life Insurance	437,920	1.25
<b>MEDIA</b> (20 April 2023 - Nil)		
20,000 RELX	661,600	1.89
Total Media	661,600	1.89
<b>MEDICAL EQUIPMENT AND SERVICES</b> (20 April 2023 - 2.23%)		
62,800 Smith & Nephew	602,880	1.72
Total Medical Equipment and Services	602,880	1.72
<b>NON-LIFE INSURANCE</b> (20 April 2023 - 1.44%)		
<b>OIL, GAS AND COAL</b> (20 April 2023 - 3.10%)		
44,000 Shell	1,236,840	3.54
5,000 TotalEnergies	284,488	0.81
Total Oil, Gas and Coal	1,521,328	4.35
<b>PERSONAL CARE, DRUG AND GROCERY STORES</b> (20 April 2023 - 6.85%)		
10,000 Reckitt Benckiser Group	412,400	1.18
205,000 Sainsbury (J)	529,720	1.51
26,900 Unilever	1,024,083	2.93
Total Personal Care, Drug and Grocery Stores	1,966,203	5.62

**IFSL MARLBOROUGH EXTRA INCOME FUND**

**PORTFOLIO STATEMENT**

as at 20 April 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>PHARMACEUTICALS AND BIOTECHNOLOGY</b> (20 April 2023 - 4.55%)		
7,500 AstraZeneca	813,150	2.32
50,000 GSK	793,250	2.27
Total Pharmaceuticals and Biotechnology	1,606,400	4.59
<b>REAL ESTATE INVESTMENT TRUSTS</b> (20 April 2023 - 1.43%)		
4,000 Digital Realty Trust	439,849	1.26
333,221 Tritax Big Box REIT	488,502	1.40
Total Real Estate Investment Trusts	928,351	2.66
<b>TOBACCO</b> (20 April 2023 - 2.11%)		
30,000 British American Tobacco	687,000	1.96
Total Tobacco	687,000	1.96
<b>OVERSEAS SECURITIES</b> (20 April 2023 - 9.11%)		
3,000 AbbVie	397,186	1.14
7,125 Coca-Cola	337,373	0.96
2,000 McDonald's	435,571	1.24
1,400 The Home Depot	374,703	1.07
13,500 Verizon Communications	435,382	1.24
1,590 Zurich Insurance Group	625,398	1.79
Total Overseas Securities	2,605,613	7.44
Total Equities	25,405,898	72.63
<b>Portfolio of investments</b>	34,905,307	99.79
<b>Net other assets</b>	74,942	0.21
<b>Total net assets</b>	34,980,249	100.00

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 EXTRA INCOME FUND**

**STATEMENT OF TOTAL RETURN**

for the year ended 20 April 2024

	Notes	20 April 2024		20 April 2023	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		451,180		(596,395)
Revenue	6	1,592,854		1,555,485	
Expenses	7	<u>(305,466)</u>		<u>(307,974)</u>	
Net revenue before taxation		1,287,388		1,247,511	
Taxation	8	<u>(57,534)</u>		<u>(26,473)</u>	
Net revenue after taxation			<u>1,229,854</u>		<u>1,221,038</u>
Total return before distributions			1,681,034		624,643
Distributions	9		(1,439,118)		(1,419,429)
Change in net assets attributable to unitholders from investment activities			<u>241,916</u>		<u>(794,786)</u>

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

for the year ended 20 April 2024

	20 April 2024		20 April 2023	
	£	£	£	£
Opening net assets attributable to unitholders		34,717,125		35,768,883
Amounts receivable on issue of units	3,647,313		2,167,796	
Amounts payable on cancellation of units	<u>(3,636,949)</u>		<u>(2,429,654)</u>	
Amounts receivable on unit class conversions		-		2
		10,364		(261,856)
Dilution adjustment		8,487		-
Change in net assets attributable to unitholders from investment activities		241,916		(794,786)
Unclaimed distributions		2,357		4,884
Closing net assets attributable to unitholders		<u>34,980,249</u>		<u>34,717,125</u>

**IFSL MARLBOROUGH EXTRA INCOME FUND**

**BALANCE SHEET**

as at 20 April 2024

	Notes	20 April 2024 £	20 April 2023 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments	17	34,905,307	34,458,011
<b>Current Assets:</b>			
Debtors	10	451,290	455,464
Cash and bank balances		171,545	951,479
Total assets		<u>35,528,142</u>	<u>35,864,954</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		395,853	394,388
Bank overdrafts		3,801	-
Other creditors	11	148,239	753,441
Total liabilities		<u>547,893</u>	<u>1,147,829</u>
<b>Net assets attributable to unitholders</b>		<u>34,980,249</u>	<u>34,717,125</u>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 20 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 are recognised when the security is quoted ex-dividend.

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.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

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.

**Valuation**

The valuation point was 12:00 on 19 April 2024 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 AFM'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.

**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 19 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 20 April 2024

**ACCOUNTING POLICIES** (continued)

**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 AFM 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.

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

**Equalisation**

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

**Stock and special dividends**

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

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the Fund. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

**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.

## IFSL MARLBOROUGH EXTRA INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2024

#### RISK MANAGEMENT POLICIES (continued)

##### 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.

##### 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.

##### 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 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 Investment 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 AFM.

4 NET CAPITAL GAINS/(LOSSES)	20 April 2024	20 April 2023
	£	£
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities gains/(losses)	444,272	(613,263)
Other currency gains	7,114	17,125
Transaction charges	(206)	(257)
<b>Net capital gains/(losses)</b>	<u>451,180</u>	<u>(596,395)</u>
5 PURCHASES, SALES AND TRANSACTION COSTS	20 April 2024	20 April 2023
	£	£
Purchases excluding transaction costs:		
Equities	3,195,189	3,521,940
Debt securities	<u>2,215,510</u>	<u>3,570,275</u>
	5,410,699	7,092,215
Equities: Commissions	6,390	5,692
Taxes and other charges	13,069	11,928
Debt securities: Commissions	<u>4,427</u>	<u>7,141</u>
Total purchases transaction costs	23,886	24,761
<b>Purchases including transaction costs</b>	<u>5,434,585</u>	<u>7,116,976</u>

**IFSL MARLBOROUGH EXTRA INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 20 April 2024

<b>PURCHASES, SALES AND TRANSACTION COSTS</b> (continued)	<b>20 April 2024</b>	<b>20 April 2023</b>
Purchases transaction costs expressed as a percentage of the principal amount:		
Equities: Commissions	0.20%	0.16%
Taxes and other charges	0.41%	0.34%
Debt securities: Commissions	0.20%	0.20%
Sales excluding transaction costs:		
Equities	2,728,555	5,198,023
Debt securities	1,449,500	2,362,570
Corporate Actions	1,222,000	-
	<u>5,400,055</u>	<u>7,560,593</u>
Equities: Commissions	(5,546)	(9,044)
Taxes and other charges	(346)	(702)
Debt securities: Commissions	(609)	(2,004)
Total sales transaction costs	<u>(6,501)</u>	<u>(11,750)</u>
<b>Sales net of transaction costs</b>	<u><u>5,393,554</u></u>	<u><u>7,548,843</u></u>
Sales transaction costs expressed as a percentage of the principal amount:		
Equities: Commissions	0.20%	0.17%
Taxes and other charges	0.01%	0.01%
Debt securities: Commissions	0.04%	0.08%
Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:		
Commissions	0.05%	0.07%
Taxes and other charges	0.04%	0.04%
	<u>0.09%</u>	<u>0.11%</u>

No significant in-specie transfers were identified in the year (2023: nil).

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.

**Transaction handling charges**

These are charges payable to the depositary in respect of each transaction: £206 £257

**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 0.37% 0.38%

<b>6 REVENUE</b>	<b>20 April 2024</b>	<b>20 April 2023</b>
	<b>£</b>	<b>£</b>
UK dividends	891,404	932,313
UK dividends (unfranked)	24,325	22,576
Overseas dividends	217,175	213,923
Interest on debt securities	444,285	379,077
Bank interest	15,665	7,596
<b>Total revenue</b>	<u>1,592,854</u>	<u>1,555,485</u>
<b>7 EXPENSES</b>	<b>20 April 2024</b>	<b>20 April 2024</b>
	<b>£</b>	<b>£</b>
Payable to the AFM or associate:		
AFM's periodic charge	261,580	263,490
Registration fees	21,396	22,732
	<u>282,976</u>	<u>286,222</u>
Other expenses:		
Trustee's fees	10,228	12,113
Safe custody fees	1,625	2,073



**IFSL MARLBOROUGH EXTRA INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 20 April 2024

**EXPENSES (continued)**

Bank interest	-	202
Financial Conduct Authority fee	28	(16)
Audit fee	10,609	7,380
	<u>22,490</u>	<u>21,752</u>
<b>Total expenses</b>	<u><u>305,466</u></u>	<u><u>307,974</u></u>

**8 TAXATION**

	<b>20 April 2024</b>	<b>20 April 2023</b>
	<b>£</b>	<b>£</b>
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	36,347	7,854
Overseas tax	21,187	18,619
<b>Total tax charge</b> (see note 8(b))	<u><u>57,534</u></u>	<u><u>26,473</u></u>

b Factors affecting the tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below.

Net revenue before taxation	1,287,389	1,247,511
Corporation tax at 20% (2023: 20%)	<u>257,478</u>	<u>249,502</u>
Effects of:		
Revenue not subject to taxation	(219,377)	(229,247)
Excess management expenses	(1,754)	(12,401)
Overseas tax	21,187	18,619
<b>Total tax charge</b> (see note 8(a))	<u><u>57,534</u></u>	<u><u>26,473</u></u>

At 20 April 2024 the Fund has deferred tax assets of nil (2023: nil) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

**9 DISTRIBUTIONS**

	<b>20 April 2024</b>	<b>20 April 2023</b>
	<b>£</b>	<b>£</b>
The distributions take account of revenue received or deducted on the issue and cancellation of units, and comprise:		
First interim	314,261	364,366
Second interim	375,677	371,543
Third interim	343,814	290,216
Final	395,853	394,388
Amounts deducted on cancellation of units	23,683	11,559
Amounts added on issue of units	(14,155)	(12,609)
Equalisation on conversions	-	1
Revenue brought forward	(15)	(35)
<b>Distributions</b>	<u><u>1,439,118</u></u>	<u><u>1,419,429</u></u>
Net revenue after taxation	1,229,854	1,221,039
Add: AFM's periodic charge to capital as adjusted for corporation tax	261,580	263,490
Deduct: Tax effect of AFM fee/management fee rebate borne by capital	<u>(52,316)</u>	<u>(65,100)</u>
	<u><u>1,439,118</u></u>	<u><u>1,419,429</u></u>

**10 DEBTORS**

	<b>20 April 2024</b>	<b>20 April 2023</b>
	<b>£</b>	<b>£</b>
Amounts receivable for issue of units	57,194	40,867
Accrued income	346,491	364,710
Taxation recoverable	47,605	49,887
<b>Total debtors</b>	<u><u>451,290</u></u>	<u><u>455,464</u></u>

## IFSL MARLBOROUGH EXTRA INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2024

#### 11 OTHER CREDITORS

	20 April 2024 £	20 April 2023 £
Amounts payable for cancellation of units	83,816	31,858
Purchases awaiting settlement	-	687,997
AFM's periodic charge and registration fees	15,947	15,771
Accrued expenses	12,130	9,961
Corporation tax payable	36,346	7,854
<b>Total other creditors</b>	<u>148,239</u>	<u>753,441</u>

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 20 April 2024 (2023: nil).

#### 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 to/from the AFM in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the AFM or associates 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 £42,569 (2023: £6,762).

#### 14 UNIT CLASSES

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

P Income	0.75%
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#### 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:

	P Income
Opening units in issue at 21 April 2023	<u>35,995,196</u>
Units issued	3,915,385
Units cancelled	(3,966,154)
Units converted	729,902
Closing units in issue at 20 April 2024	<u>36,674,330</u>

#### 16 RISK DISCLOSURES

##### Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £1,745,265 (2023: £1,722,901). 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 20 April 2024

	Investments £	Net other assets £	Total £
Euro	284,488	8,854	293,342
Swiss franc	625,398	41,537	666,935
US dollar	2,420,065	21,202	2,441,267
	<u>3,329,951</u>	<u>71,593</u>	<u>3,401,544</u>

##### Foreign currency exposure at 20 April 2023

	Investments £	Net other assets £	Total £
Danish krone	-	1,115	1,115
Euro	-	31,339	31,339
Swiss franc	613,962	34,775	648,737
US dollar	2,552,033	20,790	2,572,823
	<u>3,165,995</u>	<u>88,019</u>	<u>3,254,014</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 £170,077 (2023: £162,701). A five per cent increase would have an equal and opposite effect.

## IFSL MARLBOROUGH EXTRA INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2024

#### RISK DISCLOSURES (continued)

##### Interest rate risk

20 April 2024  
£

20 April 2023  
£

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

Financial assets fixed interest rate	7,778,359	7,955,862
Financial assets floating rate	171,545	951,479
Financial assets non-interest bearing instruments	27,578,238	26,957,613
Financial liabilities non-interest bearing instruments	(547,893)	(1,147,829)
	<u>34,980,249</u>	<u>34,717,125</u>

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

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A half of one per cent increase in interest rates would have the effect of decreasing the return and net assets by £184,517 (2023: £129,075). A half of one per cent decrease would have an equal and opposite effect.

##### Debt security credit analysis

20 April 2024

20 April 2023

Bid value (£)

##### Portfolio split by investment grade

Investments of investment grade	6,925,979	7,229,246
Investments below investment grade	357,685	442,180
Unrated	494,695	284,436
<b>Total debt securities</b>	<u>7,778,359</u>	<u>7,955,862</u>

##### Liquidity risk

20 April 2024  
£

20 April 2023  
£

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

Within one year:	Distribution payable	395,853	394,388
	Bank overdrafts	3,801	-
	Other creditors	148,239	753,441
		<u>547,893</u>	<u>1,147,829</u>

## 17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	20 April 2024		20 April 2023	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	27,126,947	-	26,502,149	-
Level 2 - Observable market data	7,778,360	-	7,955,862	-
Level 3 - Unobservable data	-	-	-	-
	<u>34,905,307</u>	<u>-</u>	<u>34,458,011</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.

## IFSL MARLBOROUGH EXTRA INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2024

#### 18 POST BALANCE SHEET EVENTS

Since 19 April 2024, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		Movement (%)
	19 April 2024 <sup>A</sup>	13 August 2024	
P Income	96.64	100.52	4.01%

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

**IFSL MARLBOROUGH EXTRA INCOME FUND**

**DISTRIBUTION TABLE**

**First interim distribution for the period from 21 April 2023 to 20 July 2023**

Group 1: units purchased prior to 21 April 2023  
 Group 2: units purchased on or after 21 April 2023

		Net revenue 20 July 2023 pence per unit	Equalisation 20 July 2023 pence per unit	Distribution paid 20 September 2023 pence per unit	Distribution paid 20 September 2022 pence per unit
A Income	Group 1	-	-	-	0.9411
	Group 2	-	-	-	0.9411
P Income	Group 1	0.8403	-	0.8403	0.9914
	Group 2	0.5643	0.2760	0.8403	0.9914

**Second interim distribution for the period from 21 July 2023 to 20 October 2023**

Group 1: units purchased prior to 21 July 2023  
 Group 2: units purchased on or after 21 July 2023

		Net revenue 20 October 2023 pence per unit	Equalisation 20 October 2023 pence per unit	Distribution paid 20 December 2023 pence per unit	Distribution paid 20 December 2022 pence per unit
A Income	Group 1	-	-	-	0.9693
	Group 2	-	-	-	0.9693
P Income	Group 1	1.0112	-	1.0112	1.0194
	Group 2	0.4441	0.5671	1.0112	1.0194

**Third interim distribution for the period from 21 October 2023 to 20 January 2024**

Group 1: units purchased prior to 21 October 2023  
 Group 2: units purchased on or after 21 October 2023

		Net revenue 20 January 2024 pence per unit	Equalisation 20 January 2024 pence per unit	Distribution paid 20 March 2024 pence per unit	Distribution paid 20 March 2023 pence per unit
A Income	Group 1	-	-	-	0.7623
	Group 2	-	-	-	0.7623
P Income	Group 1	0.9271	-	0.9271	0.8020
	Group 2	0.4966	0.4305	0.9271	0.8020

**Final distribution for the period from 21 January 2024 to 20 April 2024**

Group 1: units purchased prior to 21 January 2024  
 Group 2: units purchased on or after 21 January 2024

		Net revenue 20 April 2024 pence per unit	Equalisation 20 April 2024 pence per unit	Distribution paid 20 June 2024 pence per unit	Distribution paid 20 June 2023 pence per unit
A Income	Group 1	-	-	-	1.0265
	Group 2	-	-	-	1.0265
P Income	Group 1	1.0793	-	1.0793	1.0737
	Group 2	0.5652	0.5141	1.0793	1.0737

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