

Investment Fund Services

IFSL Marlborough High Yield Fixed Interest Fund

Annual Report and Audited
Financial Statements

for the year ended 31 December 2023

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

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

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

Andrew Staley (Non-Executive)
Allan Hamer
Dom Clarke
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)

Depositary (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.

Investment Manager

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

Authorised and regulated by the Financial Conduct Authority.

Sub-Investment Manager

Aberdeen Asset Managers Limited
280 Bishopgate
London
EC2M 4AG

Authorised and regulated by the Financial Conduct Authority.

Auditor

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2023

Performance to 31 December 2023

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough High Yield Fixed Interest Fund	9.46%	15.18%	7.86%	24.58%
IA Sterling High Yield sector	7.20%	10.85%	4.25%	20.12%

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

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

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

Investment commentary

Performance statement

Over the period under review, the Fund's P Income units returned 15.18%. This compares with a return of 10.85% for the Investment Association Sterling High Yield sector, the Fund's benchmark*.

Market review

The European high-yield** (HY) market started the year on a positive note as investors were optimistic about a mild global recession, falling inflation, lower risk of gas-supply disruptions and the reopening of China boosted sentiment. However, the market edged lower in late February as inflation remained high in the US and Europe. March was dominated by multiple high-profile failures in the banking sector and European HY bonds declined slightly. HY bonds were positive in April, although yields and spreads*** were almost flat versus the previous month. The banking sector notably rebounded following the volatility in March. In May, the HY market posted strong returns despite the broader uncertainties around inflation, interest-rate hikes and slower economic data. June also saw a strong performance as investors were less concerned about the health of the financial system and economic growth. Elsewhere, strong labour market data bolstered corporate earnings.

European HY bonds also rose in the second half of the year, marking a strong performance for 2023. During the third quarter, the overall supply of HY bonds was reduced which drove prices higher as demand was strong. This lack of supply was driven by lower new net issuance and fund outflows, in addition to corporates' tendency to raise funds from other sources aside from HY bonds. The uncertainty early in the fourth quarter as the war broke out in the Middle East, investors later focused on the US Federal Reserve's seemingly optimistic stance as hopes for interest-rate cuts increased. Meanwhile, after going above a yield level of 5.0%, the US Government bond's 10-year yield ended the year below 4.0% as inflation was expected to normalise, with minimal negative effects on the actual economy.

Fund performance review

The top performer over the period was United Group, the Eastern European telecommunications company, where the Fund had more exposure than the benchmark. The bonds experienced a dramatic jump in price after a successful sale of its towers business at a much greater valuation than the market had expected. The Fund had less than the benchmark exposure in Casino, the French supermarket group that went bankrupt later in the year, which also contributed positively to relative performance. Additionally, our positions in Telecom Italia and Versuni Group boosted performance. The Fund's lack of exposure to benchmark stocks, Heimstaden and SBB, two Swedish real estate groups that struggled over the period, also added value.

Conversely, the worst performer was a position in Thames Water where the Fund had more exposure than in the benchmark Index. The group's structure came under pressure after CEO Sarah Bentley stepped down on speculation that the UK government was considering putting the company into special administration. Subordinated bonds**** issued by telecommunication operator SFR in France and Altice International, both of which are owned by Patrick Drahi, also weighed on returns. These fell sharply after weak operating performance in the former and what turned out to be an isolated incident of fraud in the latter. Our holdings in Graanul, ARD Finance and EDF also negatively impacted returns.

Portfolio activity

Even though we did see a pickup in new bond issuance compared with 2022, the market remained subdued by historic standards leading to most of our trading in the Fund coming from the bonds already in issue. Although we did a significant amount of trading over the year, the structure of the Fund did not shift dramatically from a sector or credit rating***** perspective. The most significant sector changes were additions to services and media and detractions from retail, energy, transportation and basic industrials. As a result, our higher exposure to the benchmark to more defensive sectors increased as we continue to have concerns about the strength of European economies while taking the view that valuations do not compensate investors appropriately for the risk of economic slowdown.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2023

Investment commentary (continued)

Investment outlook

The recent increase in bond prices (and corresponding fall in bond yields), HY included, has forced us to slightly re-calibrate our outlook for the year. At these levels, the prices of government bonds have moved too far to us in the short term (although we still think they offer some value for longer-term investors), and we have not been surprised to see prices fall immediately after the end of the reporting period. Simultaneously, the reduction in credit spreads leaves the asset class more exposed to a sell-off, while the yield no longer provides the same support as it did at the end of December. Our projection from this starting point is for mid-single-digit returns over the next twelve months, with reasonable conviction that investors will get the opportunity to buy the asset class around a yield of 7.0% in the next few months. At those valuations, we would be more positive about the outlook, as we were in late October.

Aberdeen Asset Managers Limited
5 February 2024

* Benchmark – used for performance comparative purposes.

** High-yield – issued by companies with low credit ratings and therefore need to pay higher interest as incentive to purchase. Higher default risk than investment grade bonds, which have a higher credit rating.

*** Spreads - is the difference in yield between two debt securities of the same maturity but different credit quality.

**** Subordinated bonds - a debt which is repaid after other debts if a company falls into liquidation or bankruptcy.

***** Credit rating - a grade given to bonds that indicates their credit quality.

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 last day of February	0.853280	0.767228	0.701305	0.746734
Net income paid 31 May		0.742639	0.661922	0.747477
Net income paid 31 August		0.771414	0.739050	0.767764
Net income paid 30 November		0.843084	0.750884	0.754133
<u>P Income (pence per unit)</u>				
Net income paid last day of February	0.953612	0.856008	0.796087	0.838495
Net income paid 31 May		0.832426	0.760450	0.840684
Net income paid 31 August		0.863999	0.829710	0.863363
Net income paid 30 November		0.939961	0.840033	0.850893

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2023

Portfolio changes

<u>Largest purchases</u>	<u>Cost (£)</u>
US Treasury 3.875% 31.12.29	860,242
International Game Technology 2.375% 15.04.28	300,999
Benteler International 9.375% 15.05.28	299,942
Allwyn Entertainment Financing UK 7.25% 30.04.30	299,799
Teva Pharmaceutical Finance Netherlands II 4.375% 09.05.30	297,227
UPC Holding 3.875% 15.06.29	288,205
Chrome Bidco 3.5% 31.05.28	283,474
Ardagh Metal Packaging Finance 2% 01.09.28	281,326
HT Troplast 9.375% 15.07.28	281,319
Monitchem Holdco 3 8.75% 01.05.28	278,752
Other purchases	5,069,550
Total purchases for the year	8,540,835
<u>Largest sales</u>	<u>Proceeds (£)</u>
US Treasury 3.875% 31.12.29	861,746
Teva Pharmaceutical Finance Netherlands II 4.5% 01.03.25	567,600
Autostrade per l'Italia 2% 04.12.28	529,825
EnQuest 7% 15.04.22	522,084
Banff Merger Sub 8.375% 01.09.26	510,472
Matterhorn Telecom Holding 3.125% 15.09.26	416,450
EG Global Finance 4.375% 07.02.25	402,645
HT Troplast 9.25% 15.07.25	371,238
SAZKA Group 4.125% 20.11.24	360,056
Gamma Bidco 6.25% 15.07.25	336,632
Other sales	7,760,001
Total sales for the year	12,638,749

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

AUTHORISED STATUS

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

GENERAL INFORMATION

Investment objective

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

Investment policy

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

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

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

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

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

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

Assessing performance

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

The Fund's investment policy puts it in the IA Sterling High Yield sector. 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 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 High Yield Fixed Interest Fund is assessed and reported on, in a composite report which the AFM publishes on the website www.ifslfunds.com. The next report is expected to be published in a composite report by 30 September 2024.

Changes in prospectus

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

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

GENERAL INFORMATION

Remuneration policy

In line with the requirements of UCITS V, Investment Fund Services Limited (the AFM) 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 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
		£	£	£
Remuneration paid to staff of the AFM who have a material impact on the risk profile of the Fund				
Senior management	8	908,018	768,628	139,390
Risk takers and other identified staff	4	411,040	375,277	35,763
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.02	2,474	2,094	380
Risk takers and other identified staff	0.01	1,119	1,022	97

The total number of staff employed by the AFM's group 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 HIGH YIELD FIXED INTEREST 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.



Allan Hamer
Director



Dom Clarke
Director

Investment Fund Services Limited
2 April 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 property of the Fund for the year.

In preparing those financial statements the AFM is required to:

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

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

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of the IFSL Marlborough High Yield Fixed Interest Fund of the ("the Trust") for the Period Ended 31 December 2023

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

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

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

The Depositary must ensure that:

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

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

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

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

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

HSBC Bank plc
2 April 2024

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

Opinion

We have audited the financial statements of IFSL Marlborough High Yield Fixed Interest Fund ("the Fund") for the year ended 31 December 2023, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2023 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 HIGH YIELD FIXED INTEREST FUND

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

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Manager

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

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

Auditor's responsibilities for the audit of the financial statements

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102, the Investment 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.
- 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 FRC'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

2 April 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 HIGH YIELD FIXED INTEREST FUND

COMPARATIVE TABLE

A Income units	Year to 31.12.2023	Year to 31.12.2022	Year to 31.12.2021
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	60.64	71.33	71.65
Return before operating charges*	9.47	(6.74)	3.80
Operating charges	(0.97)	(1.03)	(1.15)
Return after operating charges*	8.50	(7.77)	2.65
Distributions on income units	(3.21)	(2.92)	(2.97)
Closing net asset value per unit	65.93	60.64	71.33

* after direct transaction costs of: - - -

Performance			
Return after charges ^A	14.02%	(10.89)%	3.70%

Other information			
Closing net asset value (£)	3,174,065	9,771,033	19,986,098
Closing number of units	4,814,630	16,114,385	28,020,830
Operating charges	1.54%	1.59%	1.58%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)			
Highest unit price	67.13	71.77	73.71
Lowest unit price	61.09	57.91	71.62

P Income units	Year to 31.12.2023	Year to 31.12.2022	Year to 31.12.2021
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	62.96	73.79	73.84
Return before operating charges*	9.87	(6.98)	3.92
Operating charges	(0.52)	(0.56)	(0.62)
Return after operating charges*	9.35	(7.54)	3.30
Distributions on income units	(3.59)	(3.29)	(3.35)
Closing net asset value per unit	68.72	62.96	73.79

* after direct transaction costs of: - - -

Performance			
Return after charges ^A	14.85%	(10.22)%	4.47%

Other information			
Closing net asset value (£)	21,318,003	18,193,507	29,221,074
Closing number of units	31,021,261	28,895,493	39,599,576
Operating charges	0.79%	0.84%	0.83%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)			
Highest unit price	70.03	74.25	76.14
Lowest unit price	63.43	60.09	74.01

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

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) 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 HIGH YIELD FIXED INTEREST 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 HIGH YIELD FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 December 2023

Holding or nominal value		Bid value £	Percentage of total net assets %
STERLING (31 December 2022 - 21.91%)			
149,000	Ardagh Packaging Finance 4.75% 15.07.27	107,390	0.44
355,000	B&M European Value Retail 4% 15.11.28	327,924	1.34
404,000	Bellis Acquisition 4.5% 16.02.26	380,968	1.55
240,000	Cidron Aida Finco 6.25% 01.04.28	225,600	0.92
125,000	Deuce FinCo 5.5% 15.06.27	116,341	0.48
150,000	Encore Capital Group 4.25% 01.06.28	127,941	0.52
262,000	Encore Capital Group 5.375% 15.02.26	248,952	1.02
250,000	Ford Motor Credit Co 4.535% 06.03.25	246,208	1.01
190,000	Ford Motor Credit Co 6.86% 05.06.26	195,827	0.80
100,000	GTCR W-2 Merger Sub 8.5% 15.01.31	108,054	0.44
125,000	Iceland Bondco 10.875% 15.12.27	130,094	0.53
350,000	Jerrold Finco 5.25% 15.01.27	323,064	1.32
150,000	Market Bidco Finco 5.5% 04.11.27	132,119	0.54
400,000	Pinewood Finco 3.625% 15.11.27	367,240	1.50
366,000	Premier Foods Finance 3.5% 15.10.26	340,164	1.39
126,000	Punch Finance 6.125% 30.06.26	116,564	0.48
568,000	Rolls-Royce 5.75% 15.10.27	569,011	2.32
350,000	Sherwood Financing 6% 15.11.26	310,667	1.27
215,000	Swedbank 5.875% 24.05.29	222,396	0.91
715,000	Virgin Media Vendor Financing Notes III 4.875% 15.07.28	657,056	2.68
	Total Sterling	5,253,580	21.46
EURO (31 December 2022 - 74.75%)			
290,000	888 Acquisitions 7.558% 15.07.27	241,956	0.99
400,000	Abertis Infraestructuras Finance 3.248% Perp	333,030	1.36
496,000	Albion Financing 1 / Aggreko Holdings 5.25% 15.10.26	430,105	1.76
338,000	Allwyn Entertainment Financing UK 7.25% 30.04.30	308,761	1.26
100,000	Alstria Office REIT 0.5% 26.09.25	74,772	0.31
860,000	Altice Finco 4.75% 15.01.28	615,224	2.51
1,000,000	Altice France 8% 15.05.27	490,985	2.00
200,000	ARD Finance 5% 30.06.27	85,322	0.35
400,000	Ardagh Metal Packaging Finance 2% 01.09.28	306,261	1.25
186,000	Ardagh Packaging Finance 2.125% 15.08.26	143,538	0.59
160,000	Arena Luxembourg Finance 1.875% 01.02.28	123,550	0.50
174,000	Banijay Entertainment 7% 01.05.29	159,360	0.65
200,000	BCP V Modular Services Finance II 4.75% 30.11.28	160,476	0.65
185,000	Benteler International 9.375% 15.05.28	171,347	0.70
200,000	CAB SELAS 3.375% 01.02.28	154,460	0.63
100,000	Cellnex Finance 1% 15.09.27	79,549	0.32
200,000	Cellnex Finance 1.5% 08.06.28	159,119	0.65
350,000	Cheplapharm Arzneimittel 4.375% 15.01.28	295,942	1.21
627,000	Chrome Bidco 3.5% 31.05.28	458,578	1.87
235,000	Cirsa Finance International 10.375% 30.11.27	222,514	0.91
291,000	CT Investment 5.5% 15.04.26	250,028	1.02
353,000	Cullinan Holdco 4.625% 15.10.26	236,995	0.97
300,000	Electricité de France (EDF) 5% Perp	259,581	1.06
300,000	Electricité de France (EDF) 5.375% Perp	260,939	1.06
100,000	Ephios Subco 3 7.875% 31.01.31	89,753	0.37
160,000	Faurecia 3.125% 15.06.26	136,018	0.55
100,000	Faurecia 7.25% 15.06.26	91,984	0.38
570,000	Goodyear Europe 2.75% 15.08.28	460,954	1.88
137,000	Graphic Packaging International 2.625% 01.02.29	109,540	0.45
360,000	Grifols 2.25% 15.11.27	293,560	1.20
150,000	Grifols 3.875% 15.10.28	118,579	0.48
303,000	Grüenthal 4.125% 15.05.28	259,941	1.06
100,000	HSE Finance 5.625% 15.10.26	45,964	0.19
132,000	HSE Finance 5.75% 15.10.26	63,786	0.26
330,000	HT Troplast 9.375% 15.07.28	290,070	1.18
175,000	IHO Verwaltungs 3.875% 15.05.27	148,514	0.61
157,930	IHO Verwaltungs 8.75% 15.05.28	149,609	0.61

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND
PORTFOLIO STATEMENT

as at 31 December 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
EURO (continued)		
215,000 INEOS Finance 3.375% 31.03.26	182,783	0.75
699,000 INEOS Styrolution 2.25% 16.01.27	556,776	2.27
182,000 Intrum 4.875% 15.08.25	147,504	0.60
275,000 IQVIA 1.75% 15.03.26	229,015	0.94
200,000 IQVIA 2.875% 15.06.28	165,392	0.67
230,000 Jaguar Land Rover Automotive 4.5% 15.07.28	195,024	0.80
350,000 Lorca Telecom Bondco 4% 18.09.27	296,578	1.21
100,000 Lottomatica 7.125% 01.06.28	91,565	0.37
114,000 Lottomatica FRN 01.06.28	100,049	0.41
350,000 Loxam 3.75% 15.07.26	300,237	1.22
110,000 Mobilux Finance 4.25% 15.07.28	87,162	0.36
189,000 Monitchem Holdco 3 8.75% 01.05.28	167,197	0.68
250,000 Motion Finco 7.375% 15.06.30	221,430	0.90
462,000 Nobel Bidco 3.125% 15.06.28	350,893	1.43
150,000 Nomad Foods 2.5% 24.06.28	122,193	0.50
158,000 Novelis Sheet Ingot 3.375% 15.04.29	128,740	0.53
200,000 Novo Banco 9.875% 01.12.33	192,151	0.78
100,000 OI European Group 6.25% 15.05.28	90,704	0.37
150,000 Organon Finance 1 2.875% 30.04.28	119,326	0.49
380,000 Petróleus Mexicanos 4.75% 26.02.29	270,628	1.10
100,000 Picard Groupe 3.875% 01.07.26	84,406	0.34
260,000 Playtech 5.875% 28.06.28	224,287	0.92
290,000 PrestigeBidCo 7% 15.07.27	255,349	1.04
400,000 Samvardhana Motherson Automotive Systems Group 1.8% 06.07.24	341,912	1.40
300,000 Schaeffler 3.375% 12.10.28	252,059	1.03
170,000 Sofima Holding 3.75% 15.01.28	147,376	0.60
198,000 Sofima Holding FRN 15.01.28	160,054	0.65
250,000 SoftBank Group 5.25% 30.07.27	215,324	0.88
200,000 Standard Profil Automotive 6.25% 30.04.26	134,925	0.55
416,450 Stichting AK Rabobank Certificaten 6.5% Perp	361,934	1.48
352,621 Summer BidCo 9% 15.11.25	303,549	1.24
124,216 Summer Bidco 9.75% 15.11.25	106,799	0.44
466,855 Techem Verwaltungsgesellschaft 674 6% 30.07.26	404,138	1.65
200,000 Telefónica Europe 3.875% Perp	168,143	0.69
100,000 Telefonica Europe 7.125% Perp	93,759	0.38
400,000 Teva Pharmaceutical Finance Netherlands II 4.375% 09.05.30	324,325	1.32
134,000 Teva Pharmaceutical Finance Netherlands II 4.5% 01.03.25	116,157	0.47
212,000 UGI International 2.5% 01.12.29	155,767	0.64
200,000 United Group 5.25% 01.02.30	165,011	0.67
400,000 UPC Holding 3.875% 15.06.29	319,941	1.31
200,000 Verallia 1.875% 10.11.31	152,070	0.62
587,000 Verisure Holding 3.25% 15.02.27	488,695	2.00
395,000 Verisure Midholding 5.25% 15.02.29	327,414	1.34
529,000 Vertical Midco 4.375% 15.07.27	442,707	1.81
300,000 Vodafone Group 2.625% 27.08.80	247,347	1.01
338,000 VodafoneZiggo Financing 2.875% 15.01.29	257,137	1.05
200,000 ZF Europe Finance 2% 23.02.26	165,456	0.68
300,000 ZF Europe Finance 2.5% 23.10.27	243,189	0.99
100,000 ZF Finance 2% 06.05.27	80,197	0.33
Total Euro	19,035,438	77.71
US DOLLAR (31 December 2022 - 0.98%)		
200,000 EnQuest 11.625% 01.11.27	147,895	0.60
400,000 Telecom Italia 6.375% 15.11.33	307,560	1.26
200,000 Telecom Italia Capital 7.2% 18.07.36	157,703	0.64
200,000 Ziggo Bond Co 5.125% 28.02.30	131,419	0.54
Total US Dollar	744,577	3.04

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 December 2023

Holding or nominal value		Bid value £	Percentage of total net assets %
	UNLISTED/UNQUOTED (31 December 2022 - Nil)		
353,137	Hellas Telecommunications Luxembourg III 8.5% 15.10.13 ^A	-	-
	Total Unlisted/Unquoted	-	-
Portfolio of investments		25,033,595	102.21
Counterparty	Forward Currency Exchange Contracts		
Morgan Stanley	Sell EUR 22,626,378 for GBP 19,511,110 - 18 January 2024	(164,582)	(0.67)
NatWest	Sell EUR 100,000.00 for 86,270 GBP - 18 January 2024	(689)	-
Citibank	Sell EUR 78,833 for GBP 67,755 - 18 January 2024	(798)	-
Barclays	Sell EUR 263,498 for GBP 226,510 - 18 January 2024	(2,625)	(0.01)
Morgan Stanley	Sell USD 933,738 for GBP 745,716 - 18 January 2024	13,168	0.05
Barclays	Sell USD 9,500 for GBP 7,460 - 18 January 2024	7	-
UBS	Sell USD 15,230 for GBP 11,974 - 18 January 2024	26	-
NatWest	Sell USD 5,238 for GBP 4,110 - 18 January 2024	-	-
Citibank	Sell GBP 562,433 for EUR 652,540 - 18 January 2024	5,010	0.02
HSBC	Sell GBP 211,715 for EUR 243,980 - 18 January 2024	448	-
	Net value of all derivative positions	(150,035)	(0.61)
	Portfolio of investments (including derivative positions)^B	24,883,560	101.60
	Net other liabilities (excluding derivative positions)	(391,492)	(1.60)
	Total net assets	24,492,068	100.00

^A Hellas Telecom is considered to be valueless by the fund manager.

^B Net of investment liabilities.

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2023

	Notes	31 December 2023		31 December 2022	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		2,415,698		(6,872,721)
Revenue	6	1,609,573		2,000,022	
Expenses	7	(252,022)		(411,679)	
Net revenue before taxation		<u>1,357,551</u>		<u>1,588,343</u>	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>1,357,551</u>		<u>1,588,343</u>
Total return before distributions			3,773,249		(5,284,378)
Distributions	9		(1,471,849)		(1,780,086)
Change in net assets attributable to unitholders from investment activities			<u>2,301,400</u>		<u>(7,064,464)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2023

	31 December 2023		31 December 2022	
	£	£	£	£
Opening net assets attributable to unitholders		27,964,540		49,207,172
Amounts receivable on issue of units	1,907,144		6,877,494	
Amounts payable on cancellation of units	(7,696,504)		(21,140,550)	
Amounts payable on unit class conversions	<u>(1,922)</u>		<u>(208)</u>	
		(5,791,282)		(14,263,264)
Dilution adjustment		17,409		84,879
Change in net assets attributable to unitholders from investment activities		2,301,400		(7,064,464)
Unclaimed distributions		1		217
Closing net assets attributable to unitholders		<u>24,492,068</u>		<u>27,964,540</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

BALANCE SHEET

as at 31 December 2023

	Notes	31 December 2023 £	31 December 2022 £
Assets:			
Fixed Assets:			
Investment assets	17	25,052,254	27,309,087
Current Assets:			
Debtors	10	400,409	446,275
Cash and bank balances		1,726,481	1,418,757
Total assets		<u>27,179,144</u>	<u>29,174,119</u>
Liabilities:			
Investment liabilities	17	168,694	562,938
Creditors:			
Bank overdrafts		936,269	205,353
Distribution payable		336,905	370,982
Other creditors	11	1,245,208	70,306
Total liabilities		<u>2,687,076</u>	<u>1,209,579</u>
Net assets attributable to unitholders		<u><u>24,492,068</u></u>	<u><u>27,964,540</u></u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1 ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Revenue

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

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple unit classes, with the exception of the 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. Half of the manager's periodic charge is treated as a capital expense. This may constrain capital growth.

Valuation

The valuation point was 12:00 on 29 December 2023 being the last valuation point of the accounting year.

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

Unlisted, unapproved, illiquid or suspended securities are valued at the 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.

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

Taxation

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

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 29 December 2023 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

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.

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

DISTRIBUTION POLICIES (continued)

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

It should be noted that the 60% test must be passed at all times during a distribution period if a fund is to qualify as a bond fund. Because the 60% test is conducted on a distribution period basis, it is possible for a fund to be a bond fund for part of its accounting period and an equity fund for the remainder. In this case, the interim and final distributions will be taken separately and will receive either dividend or interest treatment as appropriate.

Equalisation

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

Stock dividends

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

3 RISK MANAGEMENT POLICIES

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

The main risks arising from the Fund's financial instruments and the 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 most of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency. It is however a part of the Fund's strategy to hedge a substantial part of its foreign currency exposure back to sterling.

The 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.

Derivatives

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

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.

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

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

Interest rate risk

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

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

Liquidity risk

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

4 NET CAPITAL GAINS/(LOSSES)	31 December 2023	31 December 2022
	£	£
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities gains/(losses)	1,641,029	(5,729,033)
Gains/(losses) on forward foreign exchange contracts	730,965	(1,152,874)
Other currency gains	45,966	13,085
Transaction charges	(2,262)	(3,899)
Net capital gains/(losses)	<u>2,415,698</u>	<u>(6,872,721)</u>
5 PURCHASES, SALES AND TRANSACTION COSTS	31 December 2023	31 December 2022
	£	£
All purchases and sales are in debt securities.		
Purchases excluding transaction costs	8,540,835	11,887,992
Total purchases transaction costs	-	-
Purchases including transaction costs	<u>8,540,835</u>	<u>11,887,992</u>
Sales excluding transaction costs	12,638,749	26,056,452
Total sales transaction costs	-	-
Sales net of transaction costs	<u>12,638,749</u>	<u>26,056,452</u>
Transaction handling charges		
These are charges payable to the depositary in respect of each transaction:	2,262	3,899
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	1.04%	1.04%
6 REVENUE	31 December 2023	31 December 2022
	£	£
Interest on debt securities	1,583,920	1,998,468
Bank interest	25,653	1,554
Total revenue	<u>1,609,573</u>	<u>2,000,022</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

7 EXPENSES	31 December 2023	31 December 2022
	£	£
Payable to the AFM or associate:		
AFM's periodic charge	257,687	383,483
Registration fees	2,533	2,683
AFM's rebate	(29,124)	-
	<u>231,096</u>	<u>386,166</u>
Other expenses:		
Trustee's fees	9,126	13,660
Safe custody fees	2,292	3,376
Bank interest	60	-
Financial Conduct Authority fee	75	(44)
Audit fee	9,373	8,521
	<u>20,926</u>	<u>25,513</u>
Total expenses	<u><u>252,022</u></u>	<u><u>411,679</u></u>
8 TAXATION	31 December 2023	31 December 2022
	£	£
a Analysis of the tax charge for the year		
Corporation tax at 20%	-	-
Total tax charge (see note 8(b))	<u>-</u>	<u>-</u>
b Factors affecting the tax charge for the year		
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below:		
Net revenue before taxation	1,357,551	1,588,343
Corporation tax at 20% (2022: 20%)	271,510	317,669
Effects of:		
Interest distribution allowable for taxation	(271,510)	(317,669)
Total tax charge (see note 8(a))	<u>-</u>	<u>-</u>
No provision for deferred tax has been made in the current period.		
9 DISTRIBUTIONS	31 December 2023	31 December 2022
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
First interim	351,764	485,949
Second interim	360,198	420,951
Third interim	387,299	376,241
Final	336,905	370,982
Add: Revenue deducted on cancellation of units	53,647	155,751
Deduct: Revenue received on issue of units	(16,042)	(29,580)
Equalisation on conversions	(1,922)	(208)
Distributions	<u>1,471,849</u>	<u>1,780,086</u>
Net revenue after taxation	1,357,551	1,588,343
Add: AFM's periodic charge to capital	128,860	191,743
Deduct: Tax effect of management fee rebate borne by capital	(14,562)	-
	<u>1,471,849</u>	<u>1,780,086</u>
10 DEBTORS	31 December 2023	31 December 2022
	£	£
Amounts receivable for issue of units	30,549	2,744
Accrued income	369,860	443,531
Total debtors	<u>400,409</u>	<u>446,275</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

11 OTHER CREDITORS

	31 December 2023	31 December 2022
	£	£
Amounts payable for cancellation of units	1,224,629	34,215
AFM's periodic charge and registration fees	12,506	24,883
Accrued expenses	8,073	11,208
Total other creditors	1,245,208	70,306

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 December 2023 (2022: 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 in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due to the AFM at the year end are £1,206,586 (2022: £56,354).

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

Proportion of units owned by directors of Investment Fund Services Limited or UFC Fund Management plc	1.73%	1.32%
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Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNIT CLASSES

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

A Income	1.50%
P Income	0.75%

15 UNITHOLDERS' FUNDS RECONCILIATION

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

	A Income	P Income
Opening units in issue at 1 January 2023	16,114,385	28,895,493
Unit issues	379,407	2,544,028
Unit cancellations	(6,594,416)	(5,305,927)
Unit conversions	(5,084,746)	4,887,667
Closing units in issue at 31 December 2023	4,814,630	31,021,261

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 £1,251,680 (2022: £1,365,190). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

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

Foreign currency exposure at 31 December 2023

	Investments	Net other assets	Total
	£	£	£
Euro	(245,296)	276,783	31,487
US dollar	(11,483)	14,260	2,777
	(256,779)	291,043	34,264

Foreign currency exposure at 31 December 2022

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

RISK DISCLOSURES (continued)

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 £1,713 (2022: £3,807). A five per cent increase would have an equal and opposite effect.

Derivatives risk

The underlying exposure to forward currency contracts at 31 December 2023 was a net unrealised loss of £150,035 (2022: 557,643).

Interest rate risk

	31 December 2023	31 December 2022
	£	£

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

Financial assets fixed interest rate:

Sterling	5,253,581	6,126,113
Euro	19,035,438	20,904,108
US dollar	744,576	273,571
	<u>25,033,595</u>	<u>27,303,792</u>

Financial assets floating rate:

Sterling	1,358,939	1,410,856
Euro	362,538	7,893
US dollar	5,004	8
	<u>1,726,481</u>	<u>1,418,757</u>

Financial assets non-interest bearing instruments:

Sterling	(34,126)	(444,164)
Euro	270,239	330,149
US dollar	14,261	2,647
	<u>250,374</u>	<u>(111,368)</u>

Financial liabilities floating rate:

Sterling	(577,955)	(205,353)
Euro	(353,310)	-
US dollar	(5,004)	-
	<u>(936,269)</u>	<u>(205,353)</u>

Financial liabilities non-interest bearing instruments:

Sterling	(1,582,113)	(441,288)
	<u>(1,582,113)</u>	<u>(441,288)</u>

	<u>24,492,068</u>	<u>27,964,540</u>
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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 £412,026 (2022: £471,493). A half of one per cent decrease would have an equal and opposite effect.

Debt security credit analysis

Portfolio split by investment grade

	31 December 2023	31 December 2022
	Bid value (£)	

Investments of investment grade	1,253,207	1,057,798
Investments below investment grade:	23,780,388	25,417,080
Unrated	-	828,914
Total of debt securities	<u>25,033,595</u>	<u>27,303,792</u>

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

RISK DISCLOSURES (continued)

Liquidity risk

31 December 2023
£

31 December 2022
£

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

<u>On demand</u>			
Creditors	Bank overdrafts	936,269	205,353
<u>Within one year</u>			
Derivatives	Investment liabilities	168,694	562,938
Creditors	Distribution payable	336,905	370,982
	Other creditors	1,245,208	70,306
		<u>2,687,076</u>	<u>1,209,579</u>

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 December 2023		31 December 2022	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	-	-	-	-
Level 2 - Observable market data	25,052,254	168,694	27,309,087	562,938
Level 3 - Unobservable data	-	-	-	-
	<u>25,052,254</u>	<u>168,694</u>	<u>27,309,087</u>	<u>562,938</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.

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

18 POST BALANCE SHEET EVENTS

Since 29 December 2023, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	29 December 2023 ^A	27 March 2024	Movement (%)
A Income	67.13	66.75	(0.57)%
P Income	70.03	69.69	(0.49)%

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

IFSL MARLBOROUGH HIGH YIELD FIXED INTEREST FUND

DISTRIBUTION TABLE

First quarter distribution for the period from 1 January 2023 to 31 March 2023

Group 1: units purchased prior to 1 January 2023

Group 2: units purchased on or after 1 January 2023

		Gross revenue 31 March 2023 pence per unit	Equalisation 31 March 2023 pence per unit	Distribution paid 31 May 2023 pence per unit	Distribution paid 31 May 2022 pence per unit
A Income	Group 1	0.742639	-	0.742639	0.661922
	Group 2	0.434619	0.308020	0.742639	0.661922
P Income	Group 1	0.832426	-	0.832426	0.760450
	Group 2	0.274607	0.557819	0.832426	0.760450

Second quarter distribution for the period from 1 April 2023 to 30 June 2023

Group 1: units purchased prior to 1 April 2023

Group 2: units purchased on or after 1 April 2023

		Gross revenue 30 June 2023 pence per unit	Equalisation 30 June 2023 pence per unit	Distribution paid 31 August 2023 pence per unit	Distribution paid 31 August 2022 pence per unit
A Income	Group 1	0.771414	-	0.771414	0.739050
	Group 2	0.315407	0.456007	0.771414	0.739050
P Income	Group 1	0.863999	-	0.863999	0.829710
	Group 2	0.322728	0.541271	0.863999	0.829710

Third quarter distribution for the period from 1 July 2023 to 30 September 2023

Group 1: units purchased prior to 1 July 2023

Group 2: units purchased on or after 1 July 2023

		Gross revenue 30 September 2023 pence per unit	Equalisation 30 September 2023 pence per unit	Distribution paid 30 November 2023 pence per unit	Distribution paid 30 November 2022 pence per unit
A Income	Group 1	0.843084	-	0.843084	0.750884
	Group 2	0.394335	0.448749	0.843084	0.750884
P Income	Group 1	0.939961	-	0.939961	0.840033
	Group 2	0.408593	0.531368	0.939961	0.840033

Final distribution for the period from 1 October 2023 to 31 December 2023

Group 1: units purchased prior to 1 October 2023

Group 2: units purchased on or after 1 October 2023

		Gross revenue 31 December 2023 pence per unit	Equalisation 31 December 2023 pence per unit	Distribution paid 29 February 2024 pence per unit	Distribution paid 28 February 2023 pence per unit
A Income	Group 1	0.853280	-	0.853280	0.767228
	Group 2	0.380247	0.473033	0.853280	0.767228
P Income	Group 1	0.953612	-	0.953612	0.856008
	Group 2	0.424315	0.529297	0.953612	0.856008

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