

M&G CHARIBOND CHARITIES FIXED INTEREST FUND

England & Wales · Charity number 1184315

Details

Status Registered

Legal form Trust

Registered 2019-07-08

Register [View on the Charity Commission register](#)

Contact

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Website [Website maintained by the Manager https://www.mandg.co.uk/charities/](https://www.mandg.co.uk/charities/)

Activities

Objects: 9.1 SUBJECT TO CLAUSE 9.2, THE TRUST'S CHARITABLE OBJECTIVE WILL BE TO FURTHER THE CHARITABLE PURPOSES OF THE CHARITIES THAT DIRECTLY OR INDIRECTLY HOLD UNITS IN THE TRUST FROM TIME TO TIME. 9.2 IF AT ANY TIME THERE ARE NO UNITHOLDERS IN THE TRUST, THE MANAGER AND TRUSTEE WILL DETERMINE THE TRUST'S CHARITABLE PURPOSES. 9.3 NO CHANGE MAY BE MADE TO THIS DEED WHICH WOULD CAUSE THE TRUST CONSTITUTED BY THIS DEED TO CEASE TO BE A CHARITY AND IN PARTICULAR ANY SUCH CHANGE WILL NOT AUTHORISE UNITS TO BE ISSUED OR TRANSFERRED TO OR HELD BY ANY PERSON OTHER THAN AN ELIGIBLE INVESTOR, WHETHER DIRECTLY OR VIA A NOMINEE. 9.4 NO REVOCATION, VARIATION OR AMENDMENT OF THIS DEED WHICH WOULD OR MIGHT BE INCONSISTENT WITH THE TRUST'S STATUS AS A COMMON INVESTMENT FUND ESTABLISHED PURSUANT TO SECTIONS 96 TO 99 OF THE CHARITIES ACT SHALL BE VALID WITHOUT THE PRIOR WRITTEN APPROVAL OF THE COURT OR OF THE COMMISSION.

Activities: Charibond provides a managed investment for the fixed interest portion of charities' investment portfolios. The Fund provides charities with an actively managed portfolio of gilt-edged and other fixed interest stocks and deposits designed to produce a high income while preserving capital value.

Classification

- **How:** Provides Other Finance
- **What:** Other Charitable Purposes
- **Who:** Other Charities Or Voluntary Bodies

Geography

- Northern Ireland
- Scotland
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-10-31	£3,273,000	£3,938,000	£77,946,000	0
2023-10-31	£2,275,000	£3,579,000	£86,970,000	0
2022-10-31	£1,351,000	£2,312,000	£91,108,000	0
2021-10-31	£1,145,000	£2,574,000	£108,702,000	0
2020-10-31	£1,262,000	£1,910,000	£108,986,000	0

Trustees

Name	Role	Appointed
M&G Securities Limited		2018-09-24
NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED		2018-09-24

M&G CHARIBOND CHARITIES FIXED INTEREST FUND

England & Wales - Charity number 1184315

Accounts



M&G Charibond Charities Fixed Interest Fund (Charibond)

Annual Long Report and audited Financial Statements
for the period from 15 November 2019 to 31 October 2020

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Manager's Report

The Manager of M&G Charibond Charities Fixed Interest Fund (Charibond) presents its Annual Long Report and audited Financial Statements for the period from 15 November 2019 to 31 October 2020.

Fund information

The fund is an authorised unit trust, regulated as a Charity Authorised Investment Fund and a non-UCITS retail scheme as defined in the FCA Regulations under number 844281. The fund is also a Common Investment Fund under the Charities Act 2011 and a charity registered with the Charity Commission for England and Wales under number 1184315.

The fund was launched on 15 November 2019, following the conversion of The Charibond Fixed Interest Common Investment Fund.

The fund qualifies as an alternative investment fund under the Alternative Investment Fund Managers Directive.

M&G Securities Limited (the Manager) is the Alternative Investment Fund Manager while M&G Investment Management Limited is the investment manager.

A unitholder is not liable for the debts of the fund and will not be liable to make any further payment to the fund after paying the purchase price of the units.

Charities registered in England, Scotland, Wales and Northern Ireland can invest in the fund.

Fund manager

Jamie Hamilton

Jamie Hamilton is employed by M&G FA Limited, which is an associate of M&G Securities Limited.

Manager

M&G Securities Limited

10 Fenchurch Avenue, London EC3M 5AG, UK

Telephone: 020 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Directors of the Manager

C Dobson (non executive director), N M Donnelly*, S A Fitzgerald, P R Jelfs, M McGrade (non executive director), L J Mumford

* Resigned 30 June 2020.

Advisory committee

The members of the committee, which acts as a consultative committee to M&G Securities Limited, are:

D S S Chichester (Chairman), A W Behrens, B S Bostrom, S M Corbett LVO, A F Gibbs, G A Prescott BA FCA, N C Talbot Rice

Investment adviser

M&G Investment Management Limited

10 Fenchurch Avenue, London EC3M 5AG, UK

(Authorised and regulated by the Financial Conduct Authority)

Registrar

SS&C Financial Services Europe Ltd*,

SS&C House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK

(Authorised and regulated by the Financial Conduct Authority)

SS&C Financial Services Europe Ltd act as the administrators for Charifund.

* DST Financial Services Europe Ltd changed its name to SS&C Financial Services Europe Ltd on 31 March 2020.

Trustee

NatWest Trustee & Depositary Services Limited is the Trustee of the fund and for the purposes of the Alternative Investment Fund Managers Directive (AIFMD) they are also the Depositary.

NatWest Trustee & Depositary Services Limited, House A, Floor 0, Gogarburn, 175 Glasgow Road, Edinburgh EH12 1HQ, UK

(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

Ernst & Young LLP

Atria One, 144 Morrison Street, Edinburgh EH3 8EX, UK

Important information

The circular setting out the proposed scheme of arrangement for the merger of The Charibond Charities Fixed Interest Common Investment fund into M&G Charibond Charities Fixed Interest Fund (Charibond) noted a change in distribution policy to distribute coupon interest adjusted for the difference between the purchase price and the expected maturity price spread over its expected remaining life (this adjustment being called "amortisation"). However, the amount available for distribution has been calculated disregarding the effect of amortisation. This increases the amount available for distribution whilst restraining capital performance to an equivalent extent.

Investor information

The Prospectus and Trust Deed as well as the latest Annual or Interim Long Report and Financial Statements are available free of charge on request from the following address. The Trust Deed can also be inspected at our offices or at the office of the Trustee.

Customer services and administration

M&G Charity Team

PO Box 9038, Chelmsford CM99 2XF, UK

Telephone: 0800 917 4472

Manager's Report

Investor information (continued)

If you need more information about investing, please contact us direct. Alternatively, if you wish to obtain advice as to whether this investment is suitable for your needs, you should consult a financial adviser.

If you would like a list of financial advisers in your area, please visit www.unbiased.co.uk

We can answer your questions and take your instructions between 9.00am and 5.00pm Monday to Friday. For security purposes, and to improve the quality of our service, we may record and randomly monitor telephone calls.

If you already invest with us, please quote your M&G holding reference number (shown on your income vouchers or statements) when you contact the M&G Charity Team. Please note that M&G Securities Limited does not offer investment advice or make any recommendations regarding investments.

Directors' statement

The report is signed in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued and amended by the Financial Conduct Authority.

M&G Securities Limited
15 December 2020

Manager's Report

Charitable objective

The fund's charitable objective will be to further the charitable purposes of the Charities that directly or indirectly hold units in the fund from time to time.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of a composite index comprising one half Gilts and one half UK corporate bonds, over any five-year period.

The composite index is 50% of the ICE BoAML 1-15 Gilt Index and 50% of the ICE BoAML 1-15 Non-Gilt Index.

Investment policy

At least 70% of the fund is invested in investment grade Sterling denominated bonds issued by governments or companies.

The fund may also invest in non-sterling denominated bonds, cash and near cash directly or via collective investment schemes (including funds managed by M&G).

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual bonds, while also assessing macroeconomic trends such as the outlook for economic growth, interest rates and inflation.

The investment approach identifies bonds which, in the manager's opinion at the time of investment, are undervalued.

An in-house team of credit analysts assists the manager in the selection of bonds and with the monitoring of issuers held by the Fund. The Fund's active investment approach allows the manager to adjust the portfolio's interest rate and credit exposure based on the outlook.

Benchmark

50% ICE BoAML 1-15 Gilt Index and 50% ICE BoAML 1-15 Non-Gilt Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The composite index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

Risk profile

The fund invests mainly in sterling-denominated debt securities issued by the UK government and companies. It is primarily subject to the price volatility of the UK bond market as well as the performance of individual issuers.

The fund's focus is on government bonds and high-quality corporate bonds, securities that are normally traded with relative ease. Portfolio diversification is key in managing liquidity risk and default risks as well as reducing market risk.

The fund's risks are measured and managed as an integral part of the investment process.

Investment review

As at 2 November 2020, for the period from 15 November 2019 to 31 October 2020

Distribution summary

Total distributions of 3.0p gross per Income unit will be paid for the period under review of 15 November 2019 to 31 October 2020. (For this annual report, the review period begins at M&G Charibond Charities Fixed Interest Fund's launch as a Charity Authorised Investment Fund).

Performance review

While sentiment in financial markets was generally constructive towards the end of 2019, the coronavirus pandemic became the dominant theme among investors as the new year got under way. With the spread of the virus internationally, many governments responded with measures to try to contain the disease. These moves typically focused on lockdowns with tight restrictions on consumer and business activities.

The adverse economic implications of such measures prompted steep falls in stockmarkets and areas of the corporate bond markets as the first quarter of 2020 progressed. (Bonds are loans in the form of a security, usually issued by a government – government bonds – or company – corporate bonds – which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid).

At the same time, however, governments and central banks around the world announced huge economic stimulus measures to counter the effects of lockdowns. In some cases, these included lowering interest rates and the use of central banks' own money to buy government and corporate bonds. In turn, such policies were generally helpful in supporting the performance of bonds.

The Bank of England was among central banks to reduce interest rates, bringing its base rate down to 0.1% from 0.75% in two moves during March. The US Federal Reserve, a key central bank

Manager's Report

Performance review (continued)

from a global perspective, also confirmed interest rate reductions. The UK and US central banks were also among those that participated in bond-buying programmes in their respective markets.

Despite the turbulence in financial markets between February and April as coronavirus concerns intensified, mainstream government bonds held up relatively well, including in the UK. This was helped by their perceived safe-haven status in times of market stress and uncertainty. Lower interest rates can also be supportive to the performance of government bonds. Among corporate bond markets, while prices declined in many segments of the market, these assets began to produce some upside in performance during April. In the following months, corporate bonds continued to rally well.

Investors' sentiment turned more cautious again in September and October, largely as virus cases accelerated in many countries. This renewed concerns that lockdown measures might be reintroduced, and such moves became increasingly common towards the end of the review period. The UK was among a number of countries to confirm new restrictions. Among other key themes, attention focused once again on the uncertain outcome of the UK's protracted post-Brexit trade negotiations with the European Union. Against these factors, bond markets remained relatively stable compared to renewed declines in global stockmarkets towards the end of the review period.

The fund invests mainly in UK government bonds (gilts) and high-quality, sterling-denominated corporate bonds. In terms of its overall positioning, we favoured holding a mix of these assets throughout the period. We maintained a bias towards shorter dated gilts within the fund's allocation to government bonds. This largely reflected our view that valuation levels among UK government bonds were relatively high, given their generally good performance in recent times and the low level of yields in the market. Our preference remained to hold a relatively large exposure to the more defensive, shorter dated segment of the market.

Among corporate bonds, we maintained a diversity of holdings via numerous individual issuers across a range of industry sectors. Following the significant price declines of corporate bonds during March and April, we assessed that long-term valuations were attractive enough to raise the fund's exposure to the area. Consequently, we selectively increased the allocation to corporate bonds by switching some money out of the fund's holdings of gilts.

Investment activities

Our preferred strategy at the start of the review period was to hold a relatively large position in government bonds, with corporate holdings diversified through a variety of industries and individual

issuers. Within the latter, the fund's biggest industry positions included to utility companies, banks and insurers, real estate groups, and telecommunications providers.

This positioning remained broadly stable going into 2020. However, as concerns about the pandemic caused bond prices to fall later in the first quarter, we monitored the corporate market for potential long-term buying opportunities. Amid the cheaper price levels, we considered that attractive value could be found in this area of the market despite the continued uncertainty caused by the disease. Indeed, it was noteworthy that investors' demand remained healthy in the markets for newly issued corporate bonds as the year progressed, helped by the higher yields offered on the securities.

For the fund, purchases included bonds from banking groups Barclays, Lloyds, and NatWest. In our opinion, banks have significantly strengthened their financial balance sheets in recent years, partly due to the introduction of tighter regulatory controls. We believe this has helped to bolster their creditworthiness, which is a key factor in our favourable view of holding their bonds.

We also bought sterling-denominated corporate bonds from what we consider are financially strong multinational groups that should be able to withstand the uncertainties caused by the coronavirus in the global outlook. These purchases included bonds from auto manufacturer BMW and energy company Total. In contrast, we avoided exposure to companies and sectors that are likely to be most adversely affected by the pandemic, such as airlines and other travel and leisure groups.

While we remained comfortable to hold a sizeable exposure to corporate bonds, we also sold some positions later in the review period. These included holdings of sterling-denominated bonds from US bank Wells Fargo, speciality finance group GE Capital UK, and energy provider EDF.

At the end of the review period, the fund's overall allocations to government and corporate bonds stood around 54% and 43% respectively, with the remainder held in cash.

Outlook

While much uncertainty persists regarding the economic effects of the coronavirus, we continue to believe that the creditworthiness of various high-quality corporate bond issuers can withstand the challenges of the pandemic. As a result, we will continue to monitor both the government and corporate bond markets for what we consider to be the best relative value for the fund.

After the rally by corporate bonds since their sell-off in March and April this year, we feel that further significant gains from these assets may leave valuations in some areas of the market offering less potential upside. In such a scenario, we may look to take some profits from a selection of corporate holdings if we considered that valuations were expensive.

Manager's Report

Outlook (continued)

Overall, despite the difficulties caused by the pandemic, we remain committed to our disciplined investment approach to determine the fund's positioning. This concentrates on the analysis and selection of individual bonds, while also assessing macroeconomic factors such as the outlook for economic growth, interest rates and inflation. In our assessment, we continue to believe that investing in a portfolio of government bonds and a diversity of high-quality corporate bonds is the best strategy to try to meet the fund's objective.

Jamie Hamilton

Fund manager

Jamie Hamilton is employed by M&G FA Limited, which is an associate of M&G Securities Limited.

The fund's investment portfolio and details of portfolio transactions are set out on pages 6 to 7.

Please note that the views expressed in this Report should not be taken as a recommendation or advice as to how Charibond or any holding mentioned is likely to perform. If a charity wishes to obtain financial advice as to whether an investment is suitable for its needs, it should consult a financial adviser.

Investments

Portfolio statement

as at 31 October Holding		2020 £'000	2020 %
	FIXED INCOME	104,210	95.62
	Debt securities	104,210	95.62
	'AAA' credit rated bonds	2,674	2.45
£785,000	Clydesdale Bank 4.625% 08/06/2026	964	0.88
£800,000	National Westminster Bank 5.125% 13/01/2024	921	0.85
£772,000	Santander 5.125% 14/04/2021	789	0.72
	'AA' credit rated bonds	61,232	56.18
£530,000	DNB Bank 1.625% 15/12/2023	548	0.50
£385,000	Metropolitan Life Global Funding I 2.625% 05/12/2022	401	0.37
£306,000	Metropolitan Life Global Funding I 3.5% 30/09/2026	353	0.32
£520,000	New York Life Global Funding 1.625% 15/12/2023	537	0.49
£777,000	Oesterreichische Kontrollbank 5.75% 07/12/2028	1,091	1.00
£21,403,456	UK Treasury 0.5% 22/07/2022	21,607	19.83
£2,260,000	UK Treasury 0.75% 22/07/2023	2,312	2.12
£2,600,000	UK Treasury 2.75% 07/09/2024	2,885	2.65
£11,270,000	UK Treasury 3.75% 07/09/2021	11,630	10.67
£18,964,787	UK Treasury 8% 07/06/2021	19,868	18.23
	'A' credit rated bonds	14,130	12.97
£540,000	Bank of Montreal 1.5% 18/12/2024	559	0.51
£500,000	Banque Federative du Credit Mutuel 1.75% 19/12/2024	524	0.48
£520,000	BASF 1.75% 11/03/2025	546	0.50
£480,000	BHP Billiton Finance 3.25% 25/09/2024	532	0.49
£530,000	BMW International Investment 1.875% 11/09/2023	550	0.51
£800,000	BPCE 1.375% 23/12/2026	819	0.75
£182,506	Canary Wharf Finance II 6.455% 22/07/2030	227	0.21
£960,000	Credit Suisse Var. Rate 2.125% 12/09/2025	993	0.91
£850,000	Electricite de France 6.875% 12/12/2022	962	0.88
£346,078	Housing Finance 8.625% 13/11/2023	421	0.39
£548,000	HSBC Var. Rate 2.256% 13/11/2026	566	0.52
£416,930	Income Contingent Student Loans 1 2002-2006 2.5% 24/07/2056	417	0.38
£540,000	Nationwide Building Society 1% 24/01/2023	545	0.50
£567,000	Northern Powergrid (Yorkshire) 2.5% 01/04/2025	607	0.56
£175,000	Notting Hill Genesis 2.875% 31/01/2029	190	0.18
£750,000	Places for People 5.875% 23/05/2031	1,027	0.94
£530,000	Royal Bank of Canada 1.375% 09/12/2024	544	0.50
£400,000	Siemens Financieringsmaatschappij 0.875% 05/06/2023	405	0.37
£1,425,000	SLM Student Loan Trust 2003-10 FRN 0.607% 15/12/2039	1,321	1.21
£540,000	Total Capital International 1.25% 16/12/2024	557	0.51
£640,000	Wales & West Utilities Finance 5% 07/03/2028	814	0.75
£1,000,000	Westpac Securities 2.5% 13/01/2021	1,004	0.92
	'BBB' credit rated bonds	26,174	24.02
£537,000	3i 5.75% 03/12/2032	717	0.66
£961,000	Annington Funding 2.646% 12/07/2025	1,027	0.94
£750,000	AT&T 5.5% 15/03/2027	938	0.86
£450,000	Aviva Var. Rate 6.125% 14/11/2036	541	0.50
£480,000	AXA Var. Rate 5.453% Perpetual	541	0.50
£883,000	Bank of America 5.5% 22/11/2021	927	0.85
£530,000	Barclays 3.125% 17/01/2024	558	0.51
£140,000	Barclays Var. Rate 2026 1.7% 03/11/2026	140	0.13
£320,000	BNP Paribas 3.375% 23/01/2026	353	0.32
£465,000	British Land 5.357% 31/03/2028	572	0.52
£210,000	Citigroup 2.75% 24/01/2024	222	0.20
£500,000	Commerzbank 1.75% 22/01/2025	498	0.46
£540,000	DXC Technology 2.75% 15/01/2025	551	0.51
£797,000	Eastern Power Networks 4.75% 30/09/2021	828	0.76
£450,000	Enel Finance International 5.625% 14/08/2024	533	0.49
£793,000	Eversholt Funding 6.359% 02/12/2025	981	0.90
£500,000	Hastings Group Finance 3% 24/05/2025	538	0.49
£962,000	Heathrow Funding 9.2% 29/03/2021	989	0.91
£363,000	Hiscox 2% 14/12/2022	366	0.34
£293,000	HSBC Bank Var. Rate 5.375% 04/11/2030	344	0.32
£860,000	KPN 5% 18/11/2026	987	0.91
£410,000	Legal & General Var. Rate 5.375% 27/10/2045	465	0.43
£100,000	Liberty Living Finance 2.625% 28/11/2024	102	0.09
£530,000	Lloyds Banking 2.25% 16/10/2024	551	0.51

Investments

Portfolio statement (continued)

as at 31 October Holding		2020 £'000	2020 %
	FIXED INCOME (continued)		
	Debt securities (continued)		
	'BBB' credit rated bonds (continued)		
£480,000	Manchester Airport Group Funding 4.125% 02/04/2024	509	0.47
£825,000	Notting Hill Genesis 3.75% 20/12/2032	980	0.90
£100,000	Pearson Funding 3.75% 04/06/2030	108	0.10
£470,000	RL Finance Bonds No. 2 Var. Rate 6.125% 30/11/2043	524	0.48
£470,000	Scottish Widows 5.5% 16/06/2023	516	0.47
£970,000	Severn Trent Utilities Finance 1.625% 04/12/2022	992	0.91
£500,000	Societe Generale 1.875% 03/10/2024	512	0.47
£500,000	Society of Lloyd's 4.75% 30/10/2024	546	0.50
£690,000	South Eastern Power Networks 5.625% 30/09/2030	964	0.88
£720,000	SP Distribution 5.875% 17/07/2026	913	0.84
£512,000	SP Manweb 4.875% 20/09/2027	636	0.58
£486,090	Tesco Property Finance 1 7.6227% 13/07/2039	722	0.66
£361,000	TSB Banking Var. Rate 5.75% 06/05/2026	364	0.33
£460,000	Verizon Communications 4.073% 18/06/2024	518	0.47
£400,000	Volkswagen International Finance 3.375% 16/11/2026	442	0.41
£970,000	Wells Fargo 2.125% 22/04/2022	990	0.91
£497,000	Western Power Distribution West Midlands 3.875% 17/10/2024	553	0.51
£460,000	Wm Morrison Supermarkets 4.625% 08/12/2023	514	0.47
£571,000	Yorkshire Building Society Var. Rate 3.375% 13/09/2028	602	0.55
Portfolio of investments		104,210	95.62
	CASH EQUIVALENTS	4,061	3.72
	'AAA' rated money market funds ^[a]	4,061	3.72
4,061,000	Northern Trust Global Funds - Sterling Fund	4,061	3.72
Total portfolio (notes 2c & 2d on page 12)		108,271	99.34
Net other assets / (liabilities)		715	0.66
Net assets attributable to unitholders		108,986	100.00

All securities are on an official stock exchange listing except where referenced.

^[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Financial highlights

Fund performance

The fund was launched on 15 November 2019. The performance figures have not been calculated as the fund has not yet operated for a 12-month period.

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and a charity may not get back the original amount it invested.

Fund level performance

Fund net asset value

	2020
as at 31 October	£'000
Fund net asset value (NAV)	108,986

Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprising operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to M&G and to providers independent of M&G:

- Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. This charge rolls all costs that make up the operating charges into one annual charge.
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.

The operating charges paid by each unit type of the fund are shown in the following performance tables. These charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of unit classes may differ, and therefore the operating charges may differ.

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

- Direct portfolio transaction costs:** Broker execution commission and taxes.
- Indirect portfolio transaction costs:** 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

Investments are bought or sold by a fund when changes are made to the investment portfolio and in response to net flows of money into or out of the fund from investors buying and selling units in the fund.

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling units in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests wholly in fixed interest securities no direct portfolio transaction costs are applicable. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

Further information on this process is in the Prospectus, which is available free of charge on request by calling the M&G Charity Team on 0800 917 4472.

Portfolio transaction costs

as at 31 October	2020
Indirect portfolio transaction costs	%
Average portfolio dealing spread	0.25

Financial highlights

Specific unit type performance

The following tables show the performance of each unit type. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per unit (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Income unit performance

The unit type was launched on 15 November 2019. for the period to 31 October		2020
Change in NAV per unit		UK p
Opening NAV		123.89
Return before operating charges and after direct portfolio transaction costs		3.85
Operating charges		(0.36)
Return after operating charges		3.49
Distributions		(3.00)
Closing NAV		124.38
Direct portfolio transaction costs		UK p
Costs before dilution adjustments		0.00
Dilution adjustments ^[a]		0.00
Total direct portfolio transaction costs		0.00
Performance and charges		%
Direct portfolio transaction costs ^[b]		0.00
Operating charges		0.30
Return after operating charges		+2.82
Distribution yield		2.23
Effect on yield of charges offset against capital		0.30
Other information		
Closing NAV (£'000)		96,093
Closing NAV percentage of total fund NAV (%)		88.17
Number of units		77,260,132
Highest unit price (UK p)		126.16
Lowest unit price (UK p)		121.68

Accumulation unit performance

The unit type was launched on 15 November 2019. for the period to 31 October		2020
Change in NAV per unit		UK p
Opening NAV		4,140.39
Return before operating charges and after direct portfolio transaction costs		129.21
Operating charges		(12.00)
Return after operating charges		117.21
Distributions		(95.58)
Retained distributions		95.58
Closing NAV		4,257.60
Direct portfolio transaction costs		UK p
Costs before dilution adjustments		0.00
Dilution adjustments ^[a]		0.00
Total direct portfolio transaction costs		0.00
Performance and charges		%
Direct portfolio transaction costs ^[b]		0.00
Operating charges		0.30
Return after operating charges		+2.83
Distribution yield		2.23
Effect on yield of charges offset against capital		0.00
Other information		
Closing NAV (£'000)		12,893
Closing NAV percentage of total fund NAV (%)		11.83
Number of units		302,829
Highest unit price (UK p)		4,271.16
Lowest unit price (UK p)		4,089.46

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

M&G Charibond Charities Fixed Interest Fund (Charibond)

Financial statements and notes

Financial statements

Statement of total return

		2020	
for the period to 31 October	Note	£'000	£'000
Income			
Net capital gains / (losses)	5		2,009
Revenue	7	1,262	
Expenses	8	(312)	
Net revenue / (expense) before taxation		950	
Taxation	9	0	
Net revenue / (expense) after taxation			950
Total return before distributions			2,959
Distributions	10		(1,598)
Change in net assets attributable to unitholders from investment activities			1,361

Statement of change in net assets attributable to unitholders

		2020	
for the period to 31 October		£'000	£'000
Opening net assets attributable to unitholders			0
Amounts received on issue of units		9,099	
Value of in specie transfers received		118,685	
Amounts paid on cancellation of units		(20,475)	
			107,309
Dilution adjustments			33
Change in net assets attributable to unitholders from investment activities (see above)			1,361
Retained distributions on Accumulation units			283
Closing net assets attributable to unitholders			108,986

M&G Charibond Charities Fixed Interest Fund (Charibond)

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 October	Note	2020 £'000
Assets		
Fixed assets		
Investments		104,210
Current assets		
Debtors	11	1,660
Cash and bank balances	12	133
Cash equivalents		4,061
Total assets		110,064
Liabilities		
Creditors		
Distribution payable		(695)
Other creditors	13	(383)
Total liabilities		(1,078)
Net assets attributable to unitholders		108,986

M&G Charibond Charities Fixed Interest Fund (Charibond)

Financial statements and notes

Notes to the financial statements

1 Statement of compliance

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with both the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP) and as amended in June 2017.

2 Summary of significant accounting policies

a) Basis of preparation

There are no material events that have been identified that may cast significant doubt on 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 Manager believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements. The Manager has made an assessment of the fund's ability to continue as a going concern which is made as at the date of issue of these financial statements and considers liquidity, declines in global capital markets, investor intention, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19.

The financial statements of are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency is UK sterling.

c) Exchange rates

Transactions in currencies other than the fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 30 October 2020 being the last business day of the accounting period.

d) Investments – recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been designated as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs and accrued interest).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 30 October 2020, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are:

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
- Collective investment schemes operated by the Manager are included at either their cancellation price for dual priced funds or their single price for single priced funds.
- Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
- Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the Manager using an appropriate valuation technique, excluding any accrued interest in respect of bonds.

e) Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
- Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
- Underwriting commission is recognised when the issue takes place.
- Revenue from derivatives is recognised on an accruals basis.
- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
- Expenses are recognised on an accruals basis.

f) Treatment of income and expenses

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
- Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- The value of any enhancement to a stock dividend is treated as capital.

M&G Charibond Charities Fixed Interest Fund (Charibond)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.
- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the units and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the units underwritten, in which case a proportion of the commission received is deducted from the cost of the units and treated as capital.
- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

Dividends and similar income receivable are recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

The fund is a registered charity and is therefore not currently liable to corporation tax on its revenue or capital gains.

h) Allocation of returns to unit types

The annual charge is directly attributable to individual unit types. All other returns are apportioned to the fund's unit types pro-rata to the value of the net assets of the relevant unit type on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies is distributed in accordance with the distribution policy to holders of Income units or retained and reinvested for holders of Accumulation units. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

Distributions which have remained unclaimed by unitholders for more than six years are credited to the capital property of the fund.

3 Risk management policies

In pursuing the fund's investment objective, as set out in the Manager's Report, the Manager accepts market price risk and currency risk in relation to the investment portfolio. Generally, the Manager does not seek to hedge these exposures since it believes that, in the long term, such hedging would be detrimental to total return. Accordingly, although permitted by the Prospectus, the fund has not used derivative instruments.

In the context of the fund's objective, the Manager may, on occasion, make an investment with a view to securing a particular dividend to enhance distributable income. This can act as a constraint on short-term capital performance.

Since the objective of the fund is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are not undertaken.

The fund's assets comprise securities that can be readily realised to meet obligations that may arise when investors sell their units. As noted on page 20 the Manager's policy is that the fund should normally be close to fully invested (i.e. with liquidity of 5% or less).

These policies have been consistently applied since the beginning of the financial period.

4 Distribution policy

In order to conduct a controlled dividend flow to unitholders, distributions will be at the fund manager's discretion, up to the maximum of the distributable income available at the end of the year. The fund is permitted to retain in reserves up to 15% of the current year's income available for distribution. The amount available for distribution has been calculated disregarding the effect of amortisation; and for Income units the annual charge is offset against capital. This increases the amount available for distribution whilst restraining capital performance to an equivalent extent.

5 Net capital gains / (losses)

	2020
for the period to 31 October	£'000
Non-derivative securities ^[a]	2,009

^[a] Includes realised gains of £1,986,000 and unrealised gains of £23,000.

M&G Charibond Charities Fixed Interest Fund (Charibond)

Financial statements and notes

Notes to the financial statements

6 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 8.

	2020
for the period to 31 October	£'000
a) Purchases	
Debt securities ^[a]	149,454
Other transaction types	
In specie	118,340
Total purchases	267,794
b) Sales	
Debt securities ^[a]	45,304
Total sales	45,304
c) There were no direct portfolio transaction costs	
d) Indirect portfolio transaction costs	%
Portfolio dealing spread ^[b]	0.25

^[a] These transaction types do not attract direct portfolio transaction costs.

^[b] Average portfolio dealing spread at the balance sheet date.

7 Revenue

	2020
for the period to 31 October	£'000
Bank interest	40
Interest distributions	5
Interest on debt securities	1,216
Rebate of ongoing charges from underlying funds	1
Total revenue	1,262

8 Expenses

	2020
for the period to 31 October	£'000
Payable to the Manager or associate	
Annual charge	312
Total expenses	312

Audit fees for the financial year ending 2020 were £3,000 (including VAT).

9 Taxation

	2020
for the period to 31 October	£'000
a) Analysis of charge in the period	
Corporation tax	0
Deferred tax (note 9c)	0
Total taxation	0
b) Factors affecting taxation charge for the period	
Net revenue / (expense) before taxation	950
Corporation tax at 20%	190
Effects of:	
Revenue not taxable due to charitable status	(190)
Total tax charge (note 9a)	0
c) Provision for deferred taxation	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 9a)	0
Provision at the end of the period	0

There is no unrecognised deferred tax asset at the period end. The Trustee considers that the fund will maintain its charitable status indefinitely and will, therefore, not be subject to corporation tax under current legislation.

10 Distributions

	2020	
for the period to 31 October	Inc ^[a]	Acc ^[b]
Interest distributions	£'000	£'000
First interim	554	67
Second interim	510	68
Third interim	549	72
Final	695	76
Total net distributions		2,591
Income deducted on cancellation of units		250
Income received on issue of units		(1,243)
Distributions		1,598
Net revenue / (expense) per statement of total return	950	
Amortisation adjustment	1,942	
Expenses offset against capital	276	
Undistributed income carried forward	(1,570)	
Distributions		1,598

^[a] Distributions payable on Income units.

^[b] Retained distributions on Accumulation units.

11 Debtors

	2020
as at 31 October	£'000
Debt security interest receivable	1,460
Unclaimed distribution	200
Total debtors	1,660

12 Cash and bank balances

	2020
as at 31 October	£'000
Cash held as bank balances	133
Total cash and bank balances	133

M&G Charibond Charities Fixed Interest Fund (Charibond)

Financial statements and notes

Notes to the financial statements

13 Other creditors

	2020
as at 31 October	£'000
Annual charge payable	10
Unclaimed distributions	233
Purchases awaiting settlement	140
Total other creditors	383

14 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

15 Unit types in issue

The following table shows each type of unit in issue during the period. Each unit type has the same rights on winding up.

Unit type	Opening	Movements		Closing
	15.11.19	Issued	Cancelled	31.10.20
Sterling				
Income	0	92,845,094	(15,584,962)	77,260,132
Accumulation	0	336,344	(33,515)	302,829

16 Related parties

M&G Securities Limited, together with NatWest Trustee & Depository Services Limited, are regarded as controlling parties and therefore related parties of the fund by virtue of having the ability to act in concert in respect of the operations of the fund.

M&G Securities Limited acts as principal on all the transactions of units in the fund. The aggregate monies received through creations, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to unitholders' and note 10. Amounts due to / from M&G Securities Limited in respect of unit transactions at the period end are disclosed in notes 11 and 13 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge and amounts paid to NatWest Trustee & Depository Services Limited in respect of trustee services are disclosed in note 8. Amounts due at the period end in respect of the annual charge are disclosed in note 13.

Neither M&G Securities Limited nor NatWest Trustee & Depository Services Limited entered into any other transactions with the fund during the period. NatWest Trustee & Depository Services Limited as trustees of the fund are / may be trustees of charities that invest in the fund.

At the balance sheet date, unitholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 7.27% of the fund's units.

The M&G Charibond Charities Fixed Interest Fund has an Advisory Committee which is independent of the Manager and Trustee. The Advisory Committee is a consultative body and is tasked with representing the interests of the Unitholders. The

Advisory Committee is paid a fee in respect of the services provided to M&G Charibond Charities Fixed Interest Fund. The fee is paid by M&G Ltd and is not borne by the Fund.

17 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

18 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

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

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets	Liabilities
	2020	2020
Basis of valuation	£'000	£'000
Level 1	58,302	0
Level 2	45,908	0
Level 3	0	0
	104,210	0

In accordance with FRS 102 (22.4a) the units in issue for each class meet the definition of a puttable instrument as the unitholders have the right to sell the units back to the issuer. The units in the fund may be issued and redeemed on any business day at the quoted price. These units are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The units in issue as detailed in note 15 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

19 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on page 13.

M&G Charibond Charities Fixed Interest Fund (Charibond)

Financial statements and notes

Notes to the financial statements

20 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £5,210,000. A five per cent decrease would have an equal and opposite effect.

21 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

22 Interest rate risk sensitivity and exposure

A one per cent increase in interest rates (based on current parameters used by the Manager's Investment Risk department) would have the effect of decreasing net assets by £2,540,000. A one per cent decrease in interest rates would have the effect of increasing net assets by £2,679,000.

	2020
for the period to 31 October	£'000
Investments with fixed interest rates	103,191
Investments with variable interest rates	5,080
Non-interest bearing investments	0
Total	108,271

23 Credit risk exposure

The table below sets out the credit quality of the financial assets.

	2020
as at 31 October	£'000
Investment grade securities	104,210
Below investment grade securities	0
Unrated securities	0
Total	104,210

24 Interest distribution tables

This fund pays quarterly interest distributions and the following table sets out the distribution periods.

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	15.11.19	31.01.20	03.02.20	29.02.20
Second interim	01.02.20	30.04.20	01.05.20	31.05.20
Third interim	01.05.20	31.07.20	01.08.20	31.08.20
Final	01.08.20	31.10.20	02.11.20	15.12.20

The following tables set out for each distribution the rates per unit for both Group 1 and Group 2 units.

Group 1 units are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 units are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital. Being capital it

is not liable to Income Tax. Instead, it must be deducted from the cost of units for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Income units

Interest distributions for the period to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
First interim	0.0000	0.7000	0.7000	n/a
Second interim	0.0000	0.7000	0.7000	n/a
Third interim	0.0000	0.7000	0.7000	n/a
Final	0.0000	0.9000	0.9000	n/a

Accumulation units

Interest distributions for the period to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
First interim	0.0000	23.3900	23.3900	n/a
Second interim	0.0000	23.5300	23.5300	n/a
Third interim	0.0000	23.6600	23.6600	n/a
Final	0.0000	25.0000	25.0000	n/a

Reports

Manager's responsibilities

In its capacity as Alternative Investment Fund Manager and a charity trustee it is the Manager's responsibility to prepare annual and interim long reports and financial statements which give a true and fair view of the financial position of the Scheme at the end of each financial year, the amounts distributable on Income shares and reinvested on Accumulation shares, and the net gains for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation. For the reasons stated in the Manager's report and note 2(a), the financial statements have not been prepared on a going concern basis.

The Manager is required to keep proper accounting records and to manage the fund in accordance with the Charities Act 2011 and the Scheme Documents and to take reasonable steps for the prevention and detection of fraud or other irregularities.

Statement of the Trustee's responsibilities and report of the Trustee

To the unitholders of The Charibond Charities Fixed Interest Fund for the period ended 31 October 2020

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Trustee must ensure that:

- the Scheme's cashflows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations and the Scheme documents;
- the value of units in the Scheme is calculated in accordance with the Regulations;

- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ('the AIFM') are carried out (unless they conflict with the Regulations).

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

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

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents, and
- ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme and has been managed in accordance with the Regulations and the Scheme documents.

Edinburgh
15 December 2020

NatWest Trustee & Depositary
Services Limited

Reports

Independent auditor's report to the unitholders and Charity Trustees of The Charibond Charities Fixed Interest Fund

We have audited the financial statements of The Charibond Charities Fixed Interest Fund ("the fund") for the period ended 31 October 2020 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders together with the Balance Sheet, the related notes 1 to 24 including a summary of significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the financial position of the fund as at 31 October 2020 and of the net revenue and net gains on the scheme property of the fund for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and

have been prepared in accordance with the requirements of the Charities Act 2011.

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 FRC's 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast

significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority

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 Financial Conduct Authority and the Trust Deed;
- the information given in the manager's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Reports

Independent auditor's report to the unitholders and Charity Trustees of The Charibond Charities Fixed Interest Fund

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 rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority require 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 as set out on page 17, 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 liquidate 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.

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 unitholders of the fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders of the fund 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 unitholders of the fund as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh
15 December 2020

Ernst & Young LLP
Statutory Auditor

Other regulatory disclosures

Assessment of value

From June 2020, we have published an annual assessment of the value delivered to investors in this fund. The assessment will cover, amongst other things, an assessment of our charges, the quality of our services, and how we compare to our competitors. This will be available at www.mandg.co.uk

respect of fixed remuneration and £1,767,069 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the AIFM, of which £55,360 related to senior management.

Liquidity

The Manager's policy is that the fund should normally be close to fully invested (i.e. with liquidity of 5% or less) but this is subject to the need to retain liquidity for the purpose of effecting the redemption of units and the efficient management of the Scheme in accordance with its objective. There may, therefore, be occasions when there will be higher levels of liquidity, for example following the issue of units or the realisation of investments. Higher liquidity levels may also arise when the fund's asset allocation policy is changed or when the Manager believes that market conditions warrant it.

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), M&G Securities Limited (the "AIFM") is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found here: <https://www.mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies>. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2019, aggregate remuneration of £2,263,768 (£496,699 in

Appendix

Income and prices						
Financial period	Distributed UK p	Reinvested UK p	Income units		Accumulation units	
			Highest UK p	Lowest UK p	Highest UK p	Lowest UK p
2020 ^[a]	3.0000	95.5800	126.16	121.68	4,271.16	4,089.46

[a] To 31 October 2020.

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and a charity may not receive back the original amount it invested.

Glossary

Accumulation shares: A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Accumulation units: A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset: Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation: Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class: Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond issue: A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection: Selecting stocks based on the attractiveness of a company.

Bunds: Fixed income securities issued by the German government.

Capital: Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital growth: Occurs when the current value of an investment is greater than the initial amount invested.

Capital return: The term for the gain or loss derived from an investment over a particular period. Capital return includes capital gain or loss only and excludes income (in the form of interest or dividend payments).

Cash equivalents: Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) : An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

Comparative sector: A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

Consumer Prices Index (CPI): An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Convertible bonds: Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

Corporate bonds: Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon: The interest paid by the government or company that has raised a loan by selling bonds.

Credit: The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit default swaps (CDS): Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating: An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency: A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk: Risk that a financial obligation will not be paid and a loss will result for the lender.

Credit selection: The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread: The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default: When a borrower does not maintain interest payments or repay the amount borrowed when due.

Default risk: Risk that a debtholder will not receive interest and full repayment of the loan when due.

Derivatives: Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy/market: Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments: The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution: Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield: Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Diversification: The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Glossary

Dividend: Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Duration: A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk: The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market: Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities: Shares of ownership in a company.

Exchange traded: Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date: The date on which declared distributions officially belong to underlying investors.

Exposure: The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

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

Floating rate notes (FRNs): Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange: The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Foreign exchange (FX) strategy: Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract: A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

Fundamentals (company): A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic): A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures: A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a predetermined price at a future date. Futures are traded on a regulated exchange.

Gilts: Fixed income securities issued by the UK government.

Government bonds: Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging: A method of reducing unnecessary or unintended risk.

High water mark (HWM): The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds: Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield: The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield: Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index: An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares: A type of share where distributions are paid out as cash on the payment date.

Income units: A type of unit where distributions are paid out as cash on the payment date.

Index tracking: A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk: The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO): The first sale of shares by a private company to the public.

Interest rate risk: The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap: An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA): The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Investment grade bonds: Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Leverage: When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

Liquidity: A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Glossary

Long position: Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic: Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity: The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration: A measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Monetary easing: When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy: A central bank's regulation of money in circulation and interest rates.

Monetary tightening: When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™: A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash: Deposits or investments with similar characteristics to cash.

Net asset value (NAV): A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Ongoing Charge Figure: The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares: Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER): Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging: Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position: A way for a fund manager to express his or her view that the market might fall in value.

Short selling: This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

Glossary

Sub-investment grade bonds: Fixed income securities issued by a company with a low rating from a recognised credit rating agency. They are considered to be at higher risk from default than those issued by companies with higher credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Top-down investing: An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

Total return: The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Treasuries: Fixed income securities issued by the US government.

Triple A or AAA rated: The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS: Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained: The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value: The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield: Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight: If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust: A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type: Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Valuation: The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility: The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant: A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield: This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity): Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income): Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

