

Santander Managed Investments OEIC 2

Annual report for the year ended 15 September 2023

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* These items along with the Fund's Investment Objective & Policy and Risk & Reward Indicator collectively constitute the Authorised Corporate Director's Report in accordance with the Collective Schemes Sourcebook.

Report of the Authorised Corporate Director

Santander Managed Investments OEIC 2 (the "Company") is an open-ended investment company with variable capital incorporated in England and Wales and authorised and regulated by the Financial Conduct Authority (FCA).

The Company is a UK UCITS and structured as an umbrella company under the Regulations. Provision exists for an unlimited number of Funds and each Fund would be a UK UCITS scheme if it were itself an investment company with variable capital in respect of which an authorisation order made by the FCA were in force.

The assets of the Fund are treated as separate from those of every other Fund and are invested in accordance with that Fund's own investment objective and policy. In addition, each Fund may have more than one class allocated to it. Where a new Fund or class is established, an updated prospectus will be prepared as soon as reasonably practical setting out the relevant information concerning the new Fund or class.

The Authorised Corporate Director (ACD) of the Company is Santander Asset Management UK Limited, which is a private company limited by shares incorporated in Scotland. The ultimate holding company of the ACD is Banco Santander, S.A., which is incorporated in Spain.

The ACD is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Fund consist predominantly of securities that are readily realisable and accordingly, the Fund has adequate financial resources to continue in operational existence for at least the next twelve months from the approval of the financial statements. Further, appropriate accounting policies, consistently applied and supported by appropriate judgements and estimates, have been used in the preparation of these financial statements and applicable accounting standards have been followed.

The Company has no directors other than the ACD.

The ACD is authorised and regulated by the FCA.

The Fund in which shares are currently available are as follows:

Santander Sterling Bond Income Portfolio

In the future, the Company may launch other Funds.

Report of the Authorised Corporate Director (continued)

The Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

The assets of each Fund are invested with the aim of achieving the investment objective and policy of that Fund. They must be invested so as to comply with the investment and borrowing powers and restrictions set out in the FCA regulations, the Instrument of Incorporation and the Prospectus.

Investment of the assets of each Fund must comply with the COLL Sourcebook and the investment objective and policy of the relevant Fund.

Shareholders are not liable for the debts of the Company nor to make any further payment to the Company after paying in full for the purchase of shares.

For further information please refer to the latest Prospectus which is available on www.santanderassetmanagement.co.uk.

Financial details and the ACD's review of the Fund for the year ended 15 September 2023 are given in pages 14 to 50 of this report.

Other information required for the ACD's report per COLL 4.5.9R are disclosed elsewhere in this report.

Significant Information

Remuneration Disclosure (unaudited)

Santander Asset Management UK Limited ("SAM UK") has a Remuneration Policy in place which is designed to support prudential soundness and risk management and ensure appropriate outcomes for customers and markets to reduce the likelihood of harm. The Remuneration Policy is aligned to Remuneration Codes under MiFIDPRU, AIFMD and UK UCITS as set out in Chapters 19G, 19B and 19E respectively of the FCA's Senior Management Arrangements, Systems and Controls (SYSC) Handbook (together "the Remuneration Codes"). The Remuneration Policy is subject to review on an at least annual basis and was last updated in June 2023.

As part of its 2023 annual review process, SAM UK created its own Board Remuneration Committee following Group changes which impacted its previous delegation arrangements to a SAM Global Remuneration Committee. No other material changes were made.

The SAM UK Board is responsible for approving the SAM UK Remuneration Policy and overseeing its application. The policy adopts a five pillar approach to Remuneration strategy:

Pillar 1 - Sound and Effective Risk Management

Pillar 2 - Long Term Sustainability

Pillar 3 - Competitiveness and Fairness

Pillar 4 - Adequate ratio between fixed and variable pay

Pillar 5 - Transparency

Report of the Authorised Corporate Director (continued)

Significant Information (continued)

Remuneration Disclosure (unaudited) (continued)

Salary and Benefits Structure

Salaries are designed based on the roles and responsibilities of the job and the knowledge and expertise required to carry them out. Salaries are periodically reviewed taking into account employee performance, external market data, internal relativity, equity & fairness and budget. Benefits and remuneration in kind are assigned based on responsibilities and accountabilities and includes regular and non-discretionary pension contributions. SAM UK may also provide additional remuneration elements to complement an employee package.

Variable Remuneration

Performance assessment and risk adjustment in relation to variable pay will be assessed in relation to each performance period. All employees are eligible for an annual bonus and for non-investment employees is expressed as target bonus based on a percentage of salary and is subject to a fixed to variable ratio of 1:2 for employees (in relation to annual bonus pool), except employees performing a control function (where the salary to bonus ratio is 1:1). For investment professional employees, the annual target bonus is achieved based on a balanced scorecard taking into account individual and team investment performance, role specific objectives and individual KPIs, including risk, regulator and conduct and compliance with SAM UK behaviours and subject to the 1:2 salary to bonus ratio. Target bonuses are adjusted according to SAM UK financial performance and to ensure it is affordable and does not create short or long term risks.

SAM UK may from time to time provide non-standard variable remuneration on a case by case basis, including guaranteed variable remuneration such as retention, termination or severance payments. Such remuneration will be at all times aligned with the five pillar approach and subject to governance approvals.

Consistent with the 5 pillars approach, SAM UK promotes effective risk management in the long-term interests of SAM UK and its customers, ensures alignment between risk and individual reward, supports positive behaviours in accordance with its values and designs its Remuneration Policy in such a way to discourage behaviours that can lead to misconduct and/or poor customer outcomes. Where misconduct failings or poor performance are identified, collective and/or individual adjustments on variable remuneration are considered and applied as appropriate.

SAM UK is required to identify individuals whose professional activities have a material impact on the risk profiles of the UK UCITS it manages (defined as "Remuneration Code Staff") and the UK UCITS Remuneration Code requires SAM UK to disclose specific information about those individuals. SAM UK's Remuneration Policy applies deferral arrangements where a proportion of variable pay for its Remuneration Code Staff is deferred, varying from 40% to 60% depending on the level of role and total compensation paid, and a certain proportion of payment is made in non-cash instruments. The Remuneration Policy has mechanisms in place to make risk adjustments for known future losses which are not accounted for at the time bonus levels are set, and also at an individual level, where a member of the bonus scheme is found to have acted inappropriately, or taken excessive risk, in order to achieve greater levels of reward.

Further information with respect to the Policy is available at www.santanderassetmanagement.co.uk.

The remuneration disclosure has been provided by SAM UK in its capacity as authorised fund manager of UK UCITS as at 31 December 2022. Remuneration information at an individual UK AIF or UCITS level is not readily available. The remuneration information has been calculated based on the application of SAM UK's Remuneration Policy during the year ended 31 December

Report of the Authorised Corporate Director (continued)

Significant Information (continued)

Remuneration Disclosure (unaudited) (continued)

2022 with respect to all UK AIFs and UK UCITs it manages. It excludes remuneration paid to Material Risk Takers under the MIFIDPRU Remuneration Code. No adjustments were made collectively or individually due to misconduct, failings or other irregularities.

For the year ended 31/12/2022 *	Fixed Remuneration	Variable Remuneration	Total Remuneration	No. of Beneficiaries
Total remuneration awarded by the SAM UK during the financial year.	£9,074,829	£7,921,066	£16,995,895	78
Remuneration awarded to the Code Staff. **	£2,739,375	£4,908,913	£7,648,288	13

* The remuneration disclosed above is in relation to the remuneration awarded by the SAM UK during the financial year 1 January 2022 to 31 December 2022 and includes Remuneration Code Staff relating to SAM UK's Remuneration Code Staff identified under AIFMD and UK UCITS Remuneration Codes.

** Employees of the Manager who have a material impact on the risk profile of the Funds are Directors, Key Senior Management Roles and Investment Desk Heads, and are identified collectively as Remuneration Code Staff.

As of November 2023, SAM UK identified a small error in its end of year calculation and has now adjusted its total fixed remuneration as at 31/12/2022 by £4,911. This small adjustment is expressed in the above table.

Assessment of Value

Under COLL 6.6.20R (1), Santander Asset Management UK limited, the ACD of the Fund, must conduct an assessment at least annually for each UK authorised Fund it manages of whether the fees set out in the prospectus are justified in the context of overall value delivered to shareholders. This assessment of value must, as a minimum, consider the following seven criteria as set out by the regulator:

- Quality of Service
- Performance
- Authorised Fund Manager Costs
- Economies of Scale
- Comparable Market Rates
- Comparable Services
- Classes of Units

SAM UK have chosen to publish our statements of value across our full range of UK authorised Schemes in a separate composite report with a reference date of 31 December each year on our website at www.santanderassetmanagement.co.uk. Our composite reports will be available annually on 30 April.

Changes in the period

Change in Accounting Policy

The Fund has an income only investment objective (i.e. there is no capital growth element). The objective of the Fund is to provide an annual income that is greater than that of the Fund's Target Benchmark.

Previously, the Fund's accounting policy would consider if a bond was bought above (at a premium to) or below (at a discount to) face value (par value). The difference to face value would then be spread out (amortised) over the investment period.

Report of the Authorised Corporate Director (continued)

Significant Information (continued)

Change in Accounting Policy (continued)

Where a bond is bought at a premium, spreading out this premium over the investment period has the effect of reducing the stated amount of distributable income. The opposite is true where the bond is bought at a discount, which would increase the stated amount of distributable income.

We recently reviewed this accounting policy, general market practice, and the impact of the policy to the Fund's investment objective. As a result, on 2 November 2022 the ACD changed the Fund's accounting policy to only spread out (amortise) the difference to face value (par value) when bonds are purchased at a discount, i.e. when it increases the distributable income. Whilst this approach will support delivery of the Fund's investment objective to deliver income greater than the Target Benchmark, it will be at the expense of capital growth.

The Fund will continue to account for amortisation in its accounting book of records.

This change was communicated to Shareholders on 21 November 2022 and investor disclosures were updated accordingly.

Removal of Income Smoothing

For the year ended 15 September 2023, whilst not part of the Fund's objective, the ACD sought to "smooth" income paid to Shareholders for the Fund.

What income smoothing intended to achieve was for equal amounts to be paid for 11 of the 12 monthly income distributions throughout the financial year, with a final balancing payment in month 12. The income distributions paid were in line with a rate set by the ACD for the Fund at the start of that financial year (after consultation with the Fund's Sub-Investment Manager). The rate was not guaranteed and the Prospectus explained that the ACD was able to adjust the rate during periods of market uncertainty.

The Fund can only distribute income which is recorded as income available for distribution in its accounting book of records at the time of announcing the monthly income distribution. In periods of extreme market volatility projecting a smoothed rate and income available for distribution at the start of the financial year is extremely challenging. The ACD reviewed market practice, customer journey and in the context of Consumer Duty, determined that seeking to continue to pay out in a smoothed manner was no longer in the best interest of Shareholders.

The ACD wrote to Shareholders on 17 April 2023 to advise them that from 16 July 2023 the ACD would remove income smoothing and instead pay out 'natural income' (i.e. all income accrued by the share class they are invested in during each Payment Period of the Fund's financial year). This means that going forward Shareholders will receive all available income earned by the Fund in the following month's distribution.

Change to the application of swing pricing

The value of a Shareholder's investment can become diluted because of transaction costs linked to other Shareholders buying and selling shares in the Funds. To protect the value of Shareholders' holdings against such dilution, SAM UK applies a "dilution adjustment" (also known as "swing pricing") to the price of the Funds. In practice, the intent of this adjustment is to cover transaction costs so that existing Shareholders are not disadvantaged by bearing any of these costs.

Swing pricing can be applied in two ways:

Report of the Authorised Corporate Director (continued)

Significant Information (continued)

Change to the application of swing pricing (continued)

1. Non-dynamic swing pricing (also known as partial swing pricing), where the price of shares in a Fund is adjusted when net buy and sell trades exceed a pre-set threshold each day.
2. Dynamic swing pricing (also known as full swing pricing), where the price of shares in a Fund is adjusted when net buy and sell trades exceed zero each day - i.e. there is no pre-set threshold.

For the period from 16 September 2022 to 21 May 2023, non-dynamic swing pricing applied.

The ACD wrote to Shareholders on 23 March 2023 to advise of an update to the Share Pricing Policy so that from 22 May 2023, dynamic swing pricing applied at all times. The ACD took this action in the best interests of Shareholders as it:

- (i) provides equal treatment of all Shareholders, irrespective of the size of their transactions; and
- (ii) protects existing Shareholders from dilution in the case of a consistent trend of net buy and sell trades which in isolation would not meet the pre-set threshold to apply a dilution adjustment, but could mount over time and cause dilution.

The ACD recognises that applying dynamic swing pricing to the price of shares in a Fund at all times will mean that this share price will swing more often which could cause more volatility. The ACD conducted volatility testing to assess this, which showed that this is unlikely to affect a Fund's performance.

The ACD is keeping the impact on Fund performance from the update to the Share Pricing Policy under regular review, and the appropriateness of the policy in general.

Director's Statement

This report has been prepared in accordance with the requirements of the Collective Investment Scheme's Sourcebook as issued and amended by the Financial Conduct Authority.

Statement of the Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is responsible for preparing the annual report and the financial statements in accordance with the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"), the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) and the Company's Instrument of Incorporation. The OEIC Regulations and COLL requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, and each of its Funds, and of its net revenue and net capital gains/(losses) on the property of the Company and each of its Funds for the period, and to comply with the United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In preparing the financial statements the ACD is required to:

- select suitable accounting policies and apply them consistently;
- make appropriate judgements and best estimates;
- state whether applicable accounting standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACD is also responsible for the system of internal controls, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of an ACD's report which complies with the requirements of the Company's Instrument of Incorporation, Prospectus and COLL.

In accordance with COLL 4.5.8R, the Annual Report and the audited financial statements were approved by the Board of Directors of the ACD of the Company and authorised for issue on 12 January 2024.



Pak Chan

Director

For and on behalf of Santander Asset Management UK Limited

Authorised Corporate Director of Santander Managed Investments OEIC 2

12 January 2024

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of Santander Managed Investments OEIC 2

Statement of the Depositary's Responsibilities

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

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

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

The Depositary must ensure that:

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

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

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

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

NatWest Trustee and Depositary Services Limited

Edinburgh

January 2024

Independent auditors' Report to the Shareholders of Santander Managed Investments OEIC 2

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Santander Managed Investments OEIC 2 (the "Company"):

- give a true and fair view of the financial position of the Company and its sub-fund as at 15 September 2023 and of the net revenue and the net capital losses on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Santander Managed Investments OEIC 2 is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the Company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the Balance sheet as at 15 September 2023; the Statement of total return, and the Statement of change in net assets attributable to shareholders for the year then ended; the Distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the

Independent auditors' Report to the Shareholders of Santander Managed Investments OEIC 2

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

Report of the Authorised Corporate Director

In our opinion, the information given in the Report of the Authorised Corporate Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine 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 Authorised Corporate Director is responsible for assessing the Company's and its sub-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 Authorised Corporate Director either intends to wind up or terminate the Company or its sub-fund, or has no realistic alternative but to do so.

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

Independent auditors' Report to the Shareholders of Santander Managed Investments OEIC 2

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Company. Audit procedures performed included:

- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Independent auditors' Report to the Shareholders of Santander Managed Investments OEIC 2

Other required reporting (continued)

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, handwritten-style font.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

12 January 2024

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary

Investment Objective

The Fund's objective is to provide an income.

The Fund aims to provide an annual income that is greater than the annual income of the following composite Target Benchmark: 90% Markit iBoxx Sterling Corporates Index TR, 10% FTSE Actuaries UK Conventional Gilts All Stocks Index TR, although no level of income is guaranteed.

Investment Policy

The Fund is actively managed (by the appointed Sub-Investment Manager) and aims to achieve its objective by investing at least 95% in bonds.

The Fund invests:

- a minimum of 70% in bonds issued by companies and other non-sovereign entities; and
- a maximum of 30% in bonds issued by governments.

The Fund may invest in developed markets globally but at least 70% of its investments in bonds must be denominated in Pounds Sterling, and at least 95% of its investments in bonds denominated in or Hedged to Pounds Sterling.

At least 90% of the Fund's investment in bonds will be in those which are, at the time of purchase, investment grade. Up to 10% can be in those which are at the time of purchase, sub-investment grade and up to 5% can be unrated (where the Sub-Investment Manager will determine whether the bonds have quality equivalent to investment grade or sub-investment grade).

The Fund's investment in bonds can include those which are "non-standard" (up to 30% of the Fund). These may, for example, be bonds which can make payments earlier than their target maturity date, or have terms where the principal amount of the bond can be paid back over the term of the bond, instead of being paid at the bond's maturity date, or asset backed or mortgage backed securities (investments whose return is generated from and backed by a basket of debt, for example mortgages). With regard to asset backed and mortgage backed securities, exposure will be limited to 5% of the Fund.

The Fund's investment in bonds can also include (up to 20% of the Fund) those which are "index linked" (bonds which have their coupon payments adjusted for inflation by linking the payments to an inflation indicator), although this is not a key part of the Fund's investment strategy.

The Fund invests directly in bonds, and not indirectly by purchasing units in Collective Investment Schemes.

The Fund may also invest up to 5% in cash, cash like and other money market instruments.

The Fund may use Derivatives for Efficient Portfolio Management (including hedging), where Derivatives are used to either reduce risk, reduce cost, or to generate additional capital or income without materially affecting the risk profile of the Fund.

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary (continued)

Investment Strategy and Process

The ACD has appointed one Sub-Investment Manager, based on their expertise, to manage the entire Fund and has put in place the investment guidelines which the Sub-Investment Manager must follow.

The ACD has in place an internal analysis and due diligence process to monitor the Sub-Investment Manager's management of the Fund, and it can change the Sub-Investment Manager at its discretion if it believes that this is in the best interests of Shareholders in the Fund.

The Sub-Investment Manager actively manages the Fund. This means that, subject to the investment guidelines agreed with the ACD, it has discretion to select assets according to its investment views and opportunities identified as market and economic conditions change, and it will select investments that it believes will achieve the Fund's investment objectives. The Sub-Investment Manager will complete an assessment before any investment decisions are made.

The investment guidelines the ACD has put in place for the Sub-Investment Manager include an objective to aim to provide an annual income greater than the annual income of the Target Benchmark.

In addition the investment guidelines contain:

- an objective to outperform the Target Benchmark on average each year measured over rolling 3 year periods, with the aim of producing the annual income for distribution; and
- risk management measures, including a maximum Tracking Error, detailed below which reference the Target Benchmark. These will be commensurate to the outperformance objective noted above.

The primary way the Sub-Investment Manager intends to provide an annual income is by selecting bonds which will outperform the Target Benchmark.

When selecting bonds, the Sub-Investment Manager will consider risks including credit risk (the potential risk that issuers of bonds will be unable to honour their payment obligations), and how changing interest rates might impact the value of a bond in order to help determine which bonds to invest in. For example increasing interest rates will usually lower the value of an existing bond, and if the bond has a long time until maturity there could be more of an impact on its value. Therefore, the Sub-Investment Manager may choose to reduce the Fund's sensitivity to a change in interest rates if it expects them to rise or vice versa.

When selecting company bonds, the Sub-Investment Manager's will assess a company with respect to four key factors: industry attractiveness, competitive position, management quality and financial position. This will assign the company a score which the Sub-Investment Manager will consider as part of its overall selection process when determining which bonds to invest in.

When selecting government bonds it will use a number of tools to assess the impact of key economic and socio-political factors in order to determine a forward-looking view on the medium and long-term risk that the government may be unable to meet its payment obligations on the bonds. In doing so, it will consider factors such as the government's cash flow.

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary (continued)

Investment Strategy and Process (continued)

The Sub-Investment Manager will also factor in the value of a bond, by assessing the interest payments the bond will make, and look for opportunities where they believe bonds have been mispriced. In addition, as the ACD aims to allocate the Fund's annual income in equal amounts through the annual accounting period (as explained in the Fund's Further Information section below) the Sub-Investment Manager may also look to invest in bonds which provide regular interest payments.

Fees and expenses are charged to capital, which may reduce (but not exclude) the potential for capital growth opportunities.

The Fund's strategy is complemented by the use of Derivatives for Efficient Portfolio Management. It is expected that Derivatives will be used regularly in circumstances such as managing risk, for example to manage currency risk by hedging to Pounds Sterling or to manage interest rate risk, or responding quickly to developments in financial markets.

The Fund overall will typically be managed with a Tracking Error (against the Target Benchmark) of up to 1.5%. The Tracking Error of the Fund's portfolio may occasionally (for instance during volatile market conditions) be higher than 1.5% provided this is consistent with the investment strategy of the Fund. The Sub-Investment Manager is also subject to some investment restrictions which reference an index in the Target Benchmark, relating to the credit rating of bond issuers, and the Duration of bonds, as part of its investment process. These are risk management measures.

The risk management measures mean that although the Sub-Investment Manager has discretion to select investments, the degree to which the Fund's portfolio is permitted to deviate from the Target Benchmark will be restricted, which will limit the extent to which the Fund might outperform the Target Benchmark and therefore the level of annual income it can achieve. The Sub-Investment Manager does not have to invest in the same assets that make up the Target Benchmark or in the same amounts, and may hold significantly fewer assets than those which make up the Target Benchmark, but some of the Fund's investments will reflect the constituents of the Target Benchmark.

Further Information

Whilst Shareholders will always receive the income earned by the Fund, tax implications for a Shareholder may vary based on whether they subscribed or redeemed units in the Fund during a financial year, and on their individual tax situation.

The Target Benchmark for the Fund has been selected as it is representative of the Fund's investment in bonds and therefore broadly in line with the investment policy of the Fund.

The Target Benchmark is provided by IHS Markit Administration Limited and FTSE International Limited, respectively, which as at the date of this Prospectus are included in the public register of administrators and benchmarks established and maintained by the FCA.

If the ACD considers that the Fund's Target Benchmark should be amended as a result of changes to, or evolution of, external market conditions and provided there is no material change to the risk profile of the Fund, it may implement this change after providing Shareholders with reasonable notice in advance.

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary (continued)

Further Information (continued)

Variable remuneration of those individuals employed by the ACD who are responsible for the selection and ongoing oversight of the Sub-Investment Manager is determined by assessing a number of different factors. Insofar as these relate to investment performance, any assessment will be made by comparing Fund performance relative to the Target Benchmark.

Investment Manager

Santander Asset Management UK Limited

Sub-Investment Manager

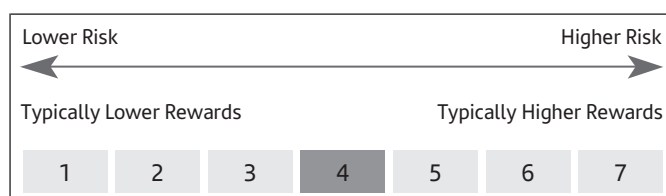
BlackRock Investment Management (UK) Limited

During the period under review the ACD monitored the investment activities of the appointed Sub-Investment Manager to ensure consistent application of investment techniques, processes and compliance with the terms of their Investment Management Agreement.

Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include: bond risk, capital erosion risk, counterparty risk, country risk, derivatives risk, income risk and liquidity risk. The ACD reviews policies for managing these risks regularly as part of the process for achieving the investment objective. The Fund does not borrow in the normal course of business. Please refer to the Prospectus for further information.

Risk and Reward Indicator



The risk and reward indicator shown above is based on historical data which may not be a reliable indication for the future risk profile of the Fund.

The lowest risk and reward indicator does not mean risk free.

The risk and reward indicator shown is not guaranteed and may change over time.

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary (continued)

Income

1 Year	
Santander Sterling Bond Income Portfolio R Income Shares	4.31%
Santander Sterling Bond Income Portfolio R Accumulation Shares	4.30%
90% Markit iBoxx GBP Corporates Index, 10% FTSE Actuaries UK Conventional Gilts All Stocks Index	4.10%

Annual Income Delivered: The sum of all income payments made over the Fund's last accounting year. Each income payment is a percentage of the fund price as at the previous XD date.

Benchmark Income: Sum of the 12 monthly current yields during the accounting year. Each current yield is taken as at previous ex-dividend date.

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary (continued)

Market Review

The period was defined by volatility in the UK economy and bond market. Yields on UK government bonds soared to 15-year highs amid stubborn inflation, rising interest rates and rapid shifts in economic policy that resulted in the ousting of a prime minister.¹

The S&P UK Investment Grade Corporate Bond Index, which tracks highly rated company bonds that are denominated in pounds, fluctuated significantly over the course of the reporting period. Despite this volatility, it ended the period at roughly the same level it started at.²

A week into the reporting period, former UK Prime Minister Liz Truss unsettled markets by announcing tax cuts and spending plans that were funded by government borrowing. This resulted in investors losing confidence in the UK economy and the prices of UK government bonds falling rapidly. As bond prices and yields move in opposite directions, yields rocketed, while the pound also fell to a record low against the US dollar.³ The government's proposals were soon scrapped and Rishi Sunak replaced Truss.⁴

Further instability was created by the fact that inflation in the UK outpaced Eurozone and US inflation. It soared to a 41-year high in October 2022, with the post-COVID-19 economic recovery and supply disruptions caused by the war in Ukraine driving up prices.⁵

In a bid to rein in inflation, the Bank of England (BoE) raised interest rates eight times during the period.⁶ Despite this, inflation exceeded expectations in February⁷, March⁸, April and May of 2023.⁹ However, there are signs that the BoE's approach is working, with inflation slowing faster than expected in June and continuing to fall in July.¹⁰

Core inflation, which excludes volatile energy and food prices, is proving more difficult to reduce. Record rises in UK wages and historically low unemployment levels are fuelling consumer spending and keeping prices high.¹¹

While the UK economy avoided a recession in this period, it remains fragile. It shrank by 0.5% in July – more than many economists had predicted – to cancel out June's 0.5% growth. This data, released near the end of the reporting period, suggests the economy may be weakening more than the BoE anticipated, which may lead to a pause in interest rate hikes.¹²

¹ Reuters, 15 June 2023

² S&P UK Investment Grade Corporate Bond Index, 15 September 2023

³ The Guardian, 20 October 2022

⁴ The Guardian, 17 November 2022

⁵ Associated Press, 16 November 2022

⁶ Bank of England, 15 September 2023

⁷ Reuters, 22 March 2023

⁸ Reuters, 19 April 2023

⁹ CNBC, 21 June 2023

¹⁰ Reuters, 16 August 2023

¹¹ CNN Business, 15 August 2023

¹² Reuters, 13 September 2023

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary (continued)

Market Review (continued)

Investors and economists continue to closely monitor the actions of central banks, attempting to gauge how many more interest rate hikes may be to come, or – if interest rates have reached their peak – how long they'll be held at this level for before being reduced.¹³

Performance Review and Investment Activity (Reporting Period)

The Fund's objective is to provide a higher annual income than the Target Benchmark, which isn't guaranteed. The Fund is actively managed by a Sub-Investment Manager and invests at least 95% in bonds. At least 70% will be in bonds issued by companies, and up to 30% can be in government bonds. The Fund invests globally in developed markets, but at least 70% of the bonds it invests in must be in pounds.

The Fund achieved its objective of providing an annual income higher than the Target Benchmark. Over the 12 months to 15 September 2023, the R Income Share class delivered an income of 4.31%, and the R Accumulation Share class returned 4.30%. The Target Benchmark achieved an income of 4.10%. * Please refer to the performance table on page 18 for further information.

Following nearly two years of raising interest rates, with the Bank of England now paused at 5.25% after over a decade of persistently low interest rates, high yields have finally returned to fixed-income markets. With interest rates at their highest levels since the Financial Crisis in 2008, the Sub-Investment Manager has been able to invest in bonds with attractive yields across a wide spectrum of corporate and government bonds. This allowed for them to sell lower yield bonds and purchase higher yield bonds over the period, ultimately increasing the income of the Fund.

The Sub-Investment Manager reduced the portfolio's holdings in higher risk bonds since the start of the reporting period into more defensive and lower risk bonds, helping to protect against potential future volatile market conditions if the UK economy continues to deteriorate.

More generally, the Sub-Investment Manager focused on investing in companies leading the energy transition, with a preference for high-quality utilities that have a lower risk of having their supplies disrupted.

Market Outlook

During the reporting period, the Sub-Investment Manager shifted the Fund's focus from bonds issued by cyclical companies (companies that have periods of high profits followed by periods of low profits), whose bond value is at risk of falling more than the market in an economic downturn, to higher quality bonds, whose value is expected to be more resilient.

The Sub-Investment Manager believes this strategy will help the Fund withstand the volatility that company bonds may experience if the economy worsens.

The Sub-Investment Manager expects government bond yields in developed countries to fall due to a worsening economic outlook, a possible US recession and deteriorating prospects for company earnings.

¹³ The Guardian, 24 August 2023

Santander Sterling Bond Income Portfolio

Final Report and Financial Statements for the year ended 15 September 2023

Investment commentary (continued)

Market Outlook (continued)

With interest rates remaining unsettled and worries of an economic slowdown deepening, the Sub-Investment Manager will continue to manage the Fund's overall risk by investing in high-quality company bonds.

While the Sub-Investment Manager believes the Fund is in a strong position, slowing economic growth, high interest rates and persistent inflation present risks. Some early signs are also emerging that company profits are falling and demand in more cyclical sectors is weakening.

However, the Sub-Investment Manager foresees that the bond market will be supported by demand from income-driven investors that want to capitalise on high bond yields. Worries that a recession may be on the horizon could also spur demand for bonds, which are typically seen as safe haven assets in times of stock market turbulence.

Robert McElvanney

Head of UK Front Office

For and on behalf of Santander Asset Management UK Limited

October 2023

Summary of material portfolio changes

for the year ended 15 September 2023

Purchases	Cost £	Note	Sales	Proceeds £	Note
United Kingdom Gilt 4.75% 2030	21,893,292		United Kingdom Gilt 4.75% 2030	16,123,934	
United Kingdom Gilt 4.25% 2032	11,233,831		United Kingdom Gilt 4.25% 2032	10,550,131	
United Kingdom Gilt 4.25% 2040	6,877,620		US Treasury 1.625% 2027	6,387,355	
US Treasury 1.625% 2027	6,398,272		United Kingdom Gilt 3.5% 2025	5,324,638	
United Kingdom Gilt 3.5% 2025	5,433,257		Goldman Sachs 1% 2025	4,320,760	
United Kingdom Gilt 1.125% 2039	4,921,852		United Kingdom Gilt 1.5% 2053	4,211,953	
United Kingdom Gilt 0.5% 2029	4,512,343		BAT International Finance 4% 2026	4,011,821	
United Kingdom Gilt 1.75% 2037	4,467,818		Yorkshire Water Services Bradford Finance 3.75% 2046	3,640,000	
United Kingdom Gilt 4.25% 2055	4,386,676		Motability Operations 3.5% 2031	3,595,061	
Goldman Sachs 7.25% 2028	3,910,637		BNP Paribas 3.375% 2026	3,584,232	
United Kingdom Gilt 1.25% 2041	3,889,121		Bayer 4.625% 2033 4.625% 2033	3,570,432	
United Kingdom Gilt 3.5% 2045	3,869,628		United Kingdom Gilt 1.75% 2037	3,531,374	
Engie 7% 2028	3,573,068		Bank of America 1.667% 2029	3,190,341	
Motability Operations 3.5% 2031	3,568,261		United Kingdom Gilt 4.125% 2027	3,158,647	
Bayer 4.625% 2033 4.625% 2033	3,541,829		UBS 2.125% 2025	3,040,962	
United Kingdom Gilt 3.75% 2038	3,272,636		NatWest 3.622% 2030	3,009,627	
United Kingdom Gilt 4.125% 2027	3,261,842		Cooperatieve Rabobank UA 4.625% 2029	2,967,530	
Barclays 6.369% 2031	2,621,225		Goldman Sachs 1.5% 2027	2,947,375	
Bouygues 5.375% 2042	2,605,740		United Kingdom Gilt 4.25% 2040	2,825,108	
Motability Operations 5.625% 2035	2,501,154		Bouygues 5.375% 2042	2,796,021	
Total cost of purchases for the year	<u>249,712,780</u>	16	Total proceeds from sales for the year	<u>291,999,731</u>	16

Portfolio statement

as at 15 September 2023

Investment	Holding or nominal value of positions at 15 September	Market value £	Percentage of total net assets %
Fixed interest securities 96.88% (94.70%)			
AAA to AA 0.73% (4.95%)			
European Investment Bank 0.875% 2026	£1,000,000	898,690	0.34
Telereal Securitisation 5.3887% 2033	£113,871	110,747	0.04
Wellcome Trust 2.517% 2118	£1,010,000	495,452	0.19
Wellcome Trust 4% 2059	£500,000	413,608	0.16
		1,918,497	0.73
AA- to A+ 20.62% (2.40%)			
Allianz 5.824% 2053	€1,200,000	1,052,559	0.40
Banco Santander 4.75% 2028*	£1,500,000	1,428,750	0.54
Banque Federative du Credit Mutuel 1.875% 2028	£1,100,000	916,135	0.35
BNP Paribas 6% 2029	£2,100,000	2,117,955	0.80
Metropolitan Life Global Funding I 1.625% 2028	£1,890,000	1,563,030	0.59
Metropolitan Life Global Funding I 5% 2030	£1,035,000	1,000,617	0.38
Nationwide Building Society 6.125% 2028	£1,165,000	1,178,071	0.45
Pfizer 2.735% 2043	£545,000	367,968	0.14
Pfizer Investment Enterprises Pte 5.3% 2053	\$862,000	675,597	0.26
Shell International Finance 1.75% 2052	£250,000	111,700	0.04
UK Treasury 0.125% 2028	£2,744,000	2,288,016	0.87
UK Treasury 0.625% 2050	£2,422,000	931,441	0.35
UK Treasury 1.25% 2041	£5,917,000	3,479,640	1.32
UK Treasury 1.5% 2047	£711,000	386,980	0.15
UK Treasury 1.75% 2037	£918,000	653,042	0.25
UK Treasury 3.5% 2045	£2,921,000	2,443,928	0.93
UK Treasury 3.5% 2068	£303,000	244,150	0.09
UK Treasury 4% 2060	£300,000	268,762	0.10
Unite Usaf II 3.921% 2030 3.921% 2030	£2,680,000	2,556,655	0.97
United Kingdom Gilt 0.375% 2026	£1,680,000	1,480,828	0.56
United Kingdom Gilt 0.5% 2029	£2,079,000	1,697,389	0.64
United Kingdom Gilt 0.875% 2046	£877,000	416,904	0.16
United Kingdom Gilt 1.125% 2039	£4,124,000	2,551,416	0.97
United Kingdom Gilt 1.5% 2053	£1,400,000	692,405	0.26
United Kingdom Gilt 1.625% 2071	£1,643,210	742,690	0.28
United Kingdom Gilt 1.75% 2049	£600,000	340,545	0.13
United Kingdom Gilt 3.25% 2044	£532,000	430,907	0.16
United Kingdom Gilt 3.75% 2038	£3,397,000	3,092,544	1.17
United Kingdom Gilt 4% 2063	£1,086,000	970,097	0.37
United Kingdom Gilt 4.25% 2036	£1,278,000	1,251,386	0.48
United Kingdom Gilt 4.25% 2040	£4,036,000	3,842,978	1.46
United Kingdom Gilt 4.25% 2055	£4,052,000	3,787,303	1.44
United Kingdom Gilt 4.5% 2034	£910,000	916,074	0.35

Portfolio statement (continued)

as at 15 September 2023

Investment	Holding or nominal value of positions at 15 September	Market value £	Percentage of total net assets %
AA- to A+ (continued)			
United Kingdom Gilt 4.5% 2042	£700,000	684,162	0.26
United Kingdom Gilt 4.75% 2030	£5,002,000	5,153,185	1.96
United Kingdom Inflation-Linked Gilt 0.625% 2045	£1,010,000	926,257	0.35
Zurich Finance Ireland Designated Activity 5.125% 2052	£1,897,000	1,678,523	0.64
		54,320,589	20.62
A to A- 19.14% (17.78%)			
Anglian Water Services Financing 6% 2039	£575,000	566,680	0.22
AXA 5.453% 2172	£3,045,000	2,937,694	1.12
AXA 5.5% 2043	€407,000	346,711	0.13
Bank of America 1.667% 2029	£2,220,000	1,833,609	0.70
BNP Paribas 5.75% 2032	£1,500,000	1,452,030	0.55
BUPA Finance 1.75% 2027	£1,223,000	1,055,155	0.40
Cooperatieve Rabobank UA 1.875% 2028	£1,500,000	1,299,375	0.49
DWR Cymru Financing UK 2.5% 2036	£555,000	395,571	0.15
GlaxoSmithKline Capital 1.625% 2035	£2,215,000	1,502,453	0.57
GlaxoSmithKline Capital 5.25% 2033	£1,146,000	1,141,629	0.43
HSBC 1.75% 2027	£6,330,000	5,589,944	2.12
HSBC 6.8% 2031	£965,000	979,137	0.37
ING Groep 4.75% 2034	€1,100,000	951,254	0.36
ING Groep 5% 2026	£900,000	879,955	0.33
JPMorgan Chase 0.991% 2026	£3,230,000	2,989,401	1.14
Legal & General Finance 5.875% 2031	£785,000	807,475	0.31
Meadowhall Finance 4.986% 2037	£57,502	51,222	0.02
Morgan Stanley 2.95% 2032	€1,820,000	1,410,490	0.54
Morgan Stanley 5.789% 2033	£1,225,000	1,192,807	0.45
Motability Operations 2.125% 2042	£510,000	308,438	0.12
Motability Operations 3.625% 2036	£385,000	318,905	0.12
Motability Operations 5.625% 2035	£2,500,000	2,495,625	0.95
NatWest Markets 6.375% 2027	£1,125,000	1,137,116	0.43
Northern Powergrid Northeast 1.875% 2062	£1,365,000	601,082	0.23
Northern Powergrid Yorkshire 2.25% 2059	£529,000	259,037	0.10
Realty Income 1.125% 2027	£1,497,000	1,246,821	0.47
Realty Income 1.875% 2027	£482,000	421,220	0.16
Robert Bosch 4.375% 2043	€1,300,000	1,097,385	0.42
Societe Generale 6.25% 2033	£1,200,000	1,219,464	0.46
Society of Lloyd's 4.875% 2047	£1,975,000	1,836,516	0.70
South Eastern Power Networks 5.625% 2030	£257,000	255,377	0.10
South Eastern Power Networks 6.375% 2031	£710,000	737,684	0.28
Svenska Handelsbanken 4.625% 2032	£690,000	633,937	0.24
UBS 0.625% 2033	€930,000	561,928	0.21

Portfolio statement (continued)

as at 15 September 2023

Investment	Holding or nominal value of positions at 15 September	Market value £	Percentage of total net assets %
A to A- (continued)			
UBS 2.125% 2029	£2,110,000	1,746,574	0.66
UBS 2.25% 2028	£2,290,000	1,983,689	0.75
UBS 2.875% 2032	€2,810,000	2,131,528	0.81
UBS 7.75% 2029	€782,000	749,607	0.28
Yorkshire Water Finance 3.625% 2029	£710,000	623,821	0.24
Yorkshire Water Finance 5.25% 2030	£1,100,000	1,036,189	0.39
Yorkshire Water Finance 6.6011% 2031	£1,600,000	1,625,460	0.62
		<hr/>	
		50,409,995	19.14
BBB+ to BBB 46.01% (54.76%)			
Aegon 6.125% 2031	£1,150,000	1,166,271	0.44
Aegon 6.625% 2039	£450,000	476,773	0.18
Amgen 4% 2029	£1,095,000	1,017,032	0.39
Annington Funding 3.685% 2034	£2,660,000	2,046,203	0.78
AT&T 2.9% 2026	£300,000	273,330	0.10
AT&T 5.2% 2033	£950,000	884,077	0.34
AT&T 5.5% 2027	£450,000	440,928	0.17
AT&T 7% 2040	£1,950,000	2,031,089	0.77
Aviva 5.125% 2050	£430,000	381,264	0.15
Aviva 6.125% 2036	£1,100,000	1,092,602	0.42
Aviva 6.875% 2058	£1,228,000	1,182,780	0.45
AXA 6.6862% 2172	£1,190,000	1,177,321	0.45
Barclays 1.7% 2026	£1,545,000	1,397,267	0.53
Barclays 3% 2026	£4,760,000	4,376,479	1.66
Barclays 5.262% 2034	€340,000	294,864	0.11
Barclays 6.369% 2031	£1,160,000	1,137,798	0.43
BAT International Finance 6% 2034	£1,272,000	1,148,634	0.44
BP Capital Markets 3.25% 2172	€1,000,000	805,349	0.31
BPCE 2.125% 2046	€1,200,000	764,101	0.29
BPCE 5.25% 2029	£1,700,000	1,565,386	0.59
British Telecommunications 3.125% 2031	£2,460,000	2,024,747	0.77
BUPA Finance 5% 2026	£2,350,000	2,245,072	0.85
Cadent Finance 2.125% 2028	£560,000	471,351	0.18
Cadent Finance 2.625% 2038	£3,590,000	2,298,197	0.87
Cadent Finance 2.75% 2046	£200,000	113,891	0.04
Centrica 4.375% 2029	£800,000	745,973	0.28
Centrica 7% 2033	£820,000	887,241	0.34
Channel Link Enterprises Finance 3.043% 2050	£915,000	768,728	0.29
Citigroup 7.375% 2039	£1,283,000	1,477,396	0.56
Cooperatieve Rabobank UA 5.25% 2027	£655,000	630,769	0.24
Digital Euro Finco 1.125% 2028	€1,132,000	827,938	0.31

Portfolio statement (continued)

as at 15 September 2023

Investment	Holding or nominal value of positions at 15 September	Market value £	Percentage of total net assets %
BBB+ to BBB (continued)			
DWR Cymru Financing UK 2.375% 2034	£1,400,000	957,007	0.36
E.ON International Finance 4.75% 2034	£1,000,000	905,127	0.34
E.ON International Finance 6.25% 2030	£4,095,000	4,188,832	1.59
E.ON International Finance 6.375% 2032	£218,000	225,400	0.09
E.ON International Finance 6.75% 2039	£100,000	105,220	0.04
Electricite de France 5.125% 2050	£1,900,000	1,519,323	0.58
Electricite de France 5.5% 2035	£900,000	820,341	0.31
Electricite de France 5.5% 2037	£600,000	534,115	0.20
Electricite de France 5.625% 2053	£300,000	255,621	0.10
Electricite de France 6% 2114	£1,100,000	925,015	0.35
Enel Finance International 5.75% 2040	£1,348,000	1,279,264	0.49
Engie 4.5% 2042	€1,700,000	1,442,283	0.55
Engie 5% 2060	£750,000	635,023	0.24
Engie 7% 2028	£1,950,000	2,064,968	0.78
Gatwick Funding 6.5% 2043	£498,000	498,600	0.19
Goldman Sachs 3.625% 2029	£245,000	218,606	0.08
Goldman Sachs 7.25% 2028	£3,710,000	3,889,561	1.48
Greene King Finance 3.593% 2035	£1,769,110	1,459,381	0.55
Heathrow Funding 4.625% 2046	£933,000	739,217	0.28
Heathrow Funding 6.45% 2031	£710,000	726,430	0.28
Heathrow Funding 6.75% 2028	£1,213,000	1,236,901	0.47
HSBC 6% 2040	£70,000	61,986	0.02
HSBC 8.201% 2034	£945,000	979,719	0.37
HSBC Bank 4.75% 2046	£695,000	530,847	0.20
HSBC Bank 6.25% 2041	£250,000	239,113	0.09
Imperial Brands Finance Netherlands 5.25% 2031	€1,450,000	1,219,852	0.46
ING Groep 6.25% 2033	£1,100,000	1,046,375	0.40
Legal & General 4.5% 2050	£410,000	349,912	0.13
Legal & General 5.125% 2048	£2,090,000	1,929,002	0.73
Legal & General 5.375% 2045	£1,140,000	1,103,502	0.42
Lloyds Bank 7.625% 2025	£1,454,000	1,482,748	0.56
Lloyds Banking 1.875% 2026	£1,740,000	1,642,115	0.62
M&G 5.56% 2055	£954,000	821,106	0.31
M&G 5.625% 2051	£1,180,000	1,054,796	0.40
Mitchells & Butlers Finance 5.574% 2030	£197,216	186,491	0.07
National Gas Transmission 1.375% 2031	£1,800,000	1,302,225	0.49
National Grid Electricity Distribution East Midlands 3.949% 2032	€165,000	137,218	0.05
National Grid Electricity Distribution West Midlands 5.75% 2032	£2,278,000	2,244,927	0.85
National Grid Electricity Transmission 2% 2040	£709,000	414,445	0.16
NatWest 2.057% 2028	£520,000	440,050	0.17
NatWest 3.619% 2029	£1,045,000	927,438	0.35

Portfolio statement (continued)

as at 15 September 2023

Investment	Holding or nominal value of positions at 15 September	Market value £	Percentage of total net assets %
BBB+ to BBB (continued)			
NIE Finance 5.875% 2032	£740,000	741,487	0.28
Northumbrian Water Finance 6.375% 2034	£499,000	494,868	0.19
Orange 8.125% 2028	£4,562,000	5,104,022	1.94
Orsted 4.875% 2032	£1,400,000	1,292,290	0.49
Orsted 5.375% 2042	£1,030,000	933,015	0.35
Orsted 5.75% 2040	£865,000	823,053	0.31
Pension Insurance 8% 2026	£575,000	588,080	0.22
Prudential Funding Asia 6.125% 2031	£685,000	674,296	0.26
Quadgas Finance 3.375% 2029	£1,650,000	1,349,583	0.51
Rentokil Initial 5% 2032	£316,000	295,637	0.11
RI Finance Bonds No 3 6.125% 2028	£195,000	186,883	0.07
Santander UK 2.92% 2026*	£2,965,000	2,779,687	1.06
Santander UK 7.098% 2027*	£730,000	735,475	0.28
Scottish Hydro Electric Transmission 2.125% 2036	£600,000	404,621	0.15
Severn Trent Utilities Finance 2.625% 2033	£2,685,000	2,046,963	0.78
Severn Trent Utilities Finance 6.25% 2029	£1,100,000	1,108,645	0.42
Southern Gas Networks 1.25% 2031	£1,900,000	1,309,556	0.50
Southern Water Services Finance 1.625% 2027	£1,935,000	1,622,173	0.62
Southern Water Services Finance 6.64% 2026	£2,325,000	2,303,652	0.88
SP Manweb 4.875% 2027	£970,000	943,189	0.36
SSE 8.375% 2028	£2,196,000	2,443,222	0.93
Swedbank 7.272% 2032	£705,000	698,834	0.27
Thames Water Utilities Finance 4.625% 2046	£370,000	273,566	0.10
Thames Water Utilities Finance 5.125% 2037	£200,000	168,677	0.06
Thames Water Utilities Finance 5.5% 2041	£1,460,000	1,230,405	0.47
Thames Water Utilities Finance 6.5% 2032	£900,000	854,562	0.33
Tritax Big Box REIT 1.5% 2033	£632,000	409,327	0.16
United Utilities Water Finance 0.875% 2029	£1,050,000	787,954	0.30
United Utilities Water Finance 2% 2033	£825,000	592,325	0.23
United Utilities Water Finance 2.625% 2031	£1,200,000	973,573	0.37
United Utilities Water Finance 5.75% 2036	£247,000	242,192	0.09
Verizon Communications 1.875% 2030	£275,000	213,818	0.08
Verizon Communications 2.5% 2031	£2,200,000	1,758,423	0.67
Verizon Communications 3.375% 2036	£265,000	202,044	0.08
Volkswagen Financial Services 5.5% 2026	£1,100,000	1,076,449	0.41
Volkswagen Financial Services 6.5% 2027	£1,900,000	1,904,294	0.72
Volkswagen International Finance 5.875% 2029	9,000,000	875,199	0.33
Wells Fargo & 3.473% 2028	£1,210,000	1,095,098	0.42
Welltower OP 4.8% 2028	£800,000	746,190	0.28
		121,174,280	46.01

Portfolio statement (continued)

as at 15 September 2023

Investment	Holding or nominal value of positions at 15 September	Market value £	Percentage of total net assets %
Below BBB to unrated 10.38% (14.81%)			
Barclays 3.75% 2030	£632,000	579,887	0.22
Barclays 8.407% 2032	£435,000	444,331	0.17
Centrica 5.25% 2075	£128,000	122,080	0.05
Deutsche Bank 4% 2026	£1,400,000	1,325,426	0.50
Deutsche Bank 6.125% 2030	£2,300,000	2,145,417	0.81
Dignity Finance 4.6956% 2049	£790,000	484,160	0.18
DS Smith 4.5% 2030	€1,545,000	1,310,794	0.50
Electricite de France 5.875% 2172	£500,000	418,750	0.16
Electricite de France 6% 2172	£1,400,000	1,293,250	0.49
Ford Motor Credit 4.535% 2025	£965,000	924,036	0.35
Iberdrola Finanzas 1.575% 2171	€400,000	291,271	0.11
Iberdrola International 2.25% 2172	€300,000	213,145	0.08
Intesa Sanpaolo 6.5% 2029	£980,000	949,868	0.36
Metrocentre Finance 8.75% 2028	£2,609,112	1,207,117	0.46
Mitchells & Butlers Finance 6.013% 2030	£836,432	767,943	0.29
NatWest 2.105% 2031	£1,114,000	946,686	0.36
NatWest 3.622% 2030	£504,000	471,976	0.18
NatWest 7.416% 2033	£625,000	619,875	0.24
NGG Finance 5.625% 2073	£4,156,000	3,968,398	1.51
Orsted 1.75% 3019	€576,000	418,314	0.16
Telefonica Emisiones 5.445% 2029	£300,000	292,811	0.11
Tesco Corporate Treasury Services 2.75% 2030	£800,000	659,144	0.25
Tesco Property Finance 1 7.6227% 2039	£109,788	117,039	0.04
Tesco Property Finance 3 5.744% 2040	£1,132,063	1,052,319	0.40
Tesco Property Finance 4 5.8006% 2040	£423,001	395,466	0.15
Tesco Property Finance 6 5.4111% 2044	£459,275	413,206	0.16
Teva Pharmaceutical Finance Netherlands II 4.375% 2030	€695,000	517,050	0.20
Teva Pharmaceutical Finance Netherlands II 7.875% 2031	€875,000	785,900	0.30
Thames Water Utilities Finance 2.875% 2027	£1,318,000	1,008,270	0.38
Time Warner Cable 5.75% 2031	£2,867,000	2,661,545	1.01
Volkswagen International Finance 7.5% 2172	€600,000	526,610	0.20
		27,332,084	10.38
Total Fixed interest securities		255,155,445	96.88
Money Market Securities nil (0.71%)			
Futures 0.14% (-0.30%)			
US 10 Year Ultra Dec '23	(52)	32,151	0.01
Euro-Buxl Dec '23	(4)	9,371	0.00

Portfolio statement (continued)

as at 15 September 2023

Investment	Holding or nominal value of positions at 15 September	Market value £	Percentage of total net assets %
Futures (continued)			
Euro-Bobl Dec '23	(59)	57,451	0.02
Euro-Bund Dec '23	(93)	138,488	0.05
Long Glit Dec '23	160	115,082	0.05
US 2 Year Note (CBT) Dec' 23	119	(17,322)	(0.01)
5 Yr US Note Dec '23	264	(31,785)	(0.01)
US Long Bond (CBT) Dec' 23	4	(2,319)	0.00
US Ultra Bond (CBT) Dec '23	(32)	65,429	0.03
		366,546	0.14

Investment	Settlement	Buy Amount	Sell Amount	Unrealised Gains/(losses)	Percentage of total net assets %
Forward currency trades -0.06% (-0.16%)					
Buy EUR : Sell GBP	17/10/2023	€2,380,000	£(2,051,853)	(1,518)	0.00
Buy EUR : Sell GBP	17/10/2023	€770,000	£(662,737)	607	0.00
Buy EUR : Sell GBP	17/10/2023	€2,150,000	£(1,847,277)	4,916	0.00
Buy EUR : Sell GBP	17/10/2023	€2,690,000	£(2,308,740)	8,655	0.00
Buy EUR : Sell GBP	17/10/2023	€3,170,000	£(2,724,745)	6,163	0.00
Buy GBP : Sell EUR	17/10/2023	£1,963,509	€(2,280,000)	(678)	0.00
Buy GBP : Sell EUR	17/10/2023	£4,781,369	€(5,570,000)	(17,103)	0.00
Buy GBP : Sell EUR	17/10/2023	£1,126,765	€(1,320,000)	(10,394)	0.00
Buy GBP : Sell EUR	17/10/2023	£292,147	€(340,000)	(758)	0.00
Buy GBP : Sell EUR	17/10/2023	£18,303,966	€(21,320,000)	(62,895)	(0.03)
Buy GBP : Sell EUR	17/10/2023	£712,144	€(830,000)	(2,889)	0.00
Buy GBP : Sell EUR	17/10/2023	£34,263	€(40,000)	(197)	0.00
Buy GBP : Sell EUR	17/10/2023	£274,391	€(320,000)	(1,284)	0.00
Buy GBP : Sell EUR	17/10/2023	£2,202,092	€(2,570,000)	(11,925)	(0.01)
Buy GBP : Sell USD	17/10/2023	£76,699	US\$(100,000)	(3,971)	0.00
Buy GBP : Sell USD	17/10/2023	£909,101	US\$(1,190,000)	(50,876)	(0.02)
Buy GBP : Sell USD	17/10/2023	£46,467	US\$(60,000)	(1,935)	0.00
Buy GBP : Sell USD	17/10/2023	£274,367	US\$(350,000)	(7,979)	0.00
Buy USD : Sell GBP	17/10/2023	US\$480,000	£(385,382)	1,836	0.00

Portfolio statement (continued)

as at 15 September 2023

Investment	Settlement	Buy Amount	Sell Amount	Unrealised Gains/(losses)	Percentage of total net assets %
Forward currency trades (continued)					
Buy USD : Sell GBP	17/10/2023	US\$150,000	£(117,226)	3,779	0.00
Buy USD : Sell GBP	17/10/2023	US\$120,000	£(94,903)	1,901	0.00
				(146,545)	(0.06)
Portfolio of investments				255,375,446	96.96
Net other assets				7,993,718	3.04
Total net assets				263,369,164	100.00

Figures in brackets represent sector distribution at 15 September 2022.

Fixed interest securities are not listed and are valued using publicly available market data unless otherwise stated.

Futures securities are derivative instruments listed on recognised exchanges.

All other securities are unlisted and are valued using publicly available market data.

* Related party to the Fund.

Comparative tables

Change in net asset value per share	R Income Shares			R Accumulation Shares		
	2023 p	2022 p	2021 p	2023 p	2022 p	2021 p
Opening net asset value per share	138.54	176.40	177.63	129.03	159.82	156.96
Return before operating charges	1.39	(32.35)	4.31	1.32	(29.86)	3.86
Operating charges	(0.86)	(1.01)	(1.11)	(0.81)	(0.93)	(1.00)
Return after operating charges	0.53	(33.36)	3.20	0.51	(30.79)	2.86
Distributions	(5.85)	(4.50)	(4.43)	(5.54)	(4.12)	(3.97)
Retained distributions on accumulation shares	-	-	-	5.54	4.12	3.97
Closing net asset value per share	133.22	138.54	176.40	129.54	129.03	159.82
*after direct transaction costs of	0.00	0.00	0.00	0.00	0.00	0.00
Performance	2023	2022	2021	2023	2022	2021
Return after operating charges**	0.38%	(18.91)%	1.80%	0.40%	(19.27)%	1.82%
Closing net asset value (£'s)	260,568,443	320,987,945	476,895,769	2,800,721	3,162,916	4,426,002
Closing number of shares	195,592,324	231,697,972	270,355,534	2,162,074	2,451,235	2,769,411
Operating charges	0.63%	0.63%	0.63%	0.63%	0.63%	0.63%
Direct transaction costs*	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	p	p	p	p	p	p
Highest share price	145.7	176.4	183.3	137.2	160.7	163.1
Lowest share price	123.0	138.5	172.2	114.6	129.0	154.4

*Direct transaction costs include broker commissions and taxes paid by the Fund on each purchase or sale transaction, some of the direct transaction costs for the year were recovered directly from investors joining and leaving the Fund. Direct transaction costs incurred by the underlying funds held are not included in the direct transaction cost % disclosed.

**The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figures quoted in the Investment commentary. The Investment commentary performance figure is calculated using the last available published price for the given share class in the year compared to the equivalent for the prior year. The published price may contain an adjustment for dilution in accordance with the Fund pricing policy, while the price per the financial statements values the Fund on a bid-price basis.

Financial Statements - Santander Sterling Bond Income Portfolio

Statement of total return

for the year ended 15 September 2023

	Note	2023		2022	
		£	£	£	£
Income					
Net capital losses	3		(9,942,856)		(94,186,151)
Revenue	4	11,483,741		11,608,469	
Expenses	5	(1,788,799)		(2,576,908)	
Interest payable and similar charges	6	(29,248)		(17,908)	
Net revenue before taxation		9,665,694		9,013,653	
Taxation	7	1,867		-	
Net revenue after taxation			9,667,561		9,013,653
Total return before distributions			(275,295)		(85,172,498)
Gross Distributions	8		(12,285,009)		(11,699,115)
Change in net assets attributable to shareholders from investment activities			(12,560,304)		(96,871,613)

Statement of change in net assets attributable to shareholders

for the year ended 15 September 2023

	2023		2022	
	£	£	£	£
Opening net assets attributable to shareholders		324,150,861		481,321,771
Amounts receivable on issue of shares	378,267		342,402	
Amounts payable on cancellation of shares	(48,870,523)		(60,925,078)	
		(48,492,256)		(60,582,676)
Dilution adjustment		146,478		175,826
Change in net assets attributable to shareholders from investment activities		(12,560,304)		(96,871,613)
Retained distribution on accumulation shares		124,385		107,553
Closing net assets attributable to shareholders		263,369,164		324,150,861

Balance sheet

as at 15 September 2023

	Note	2023 £	2022 £
Assets:			
Fixed assets:			
Investments		255,601,274	309,487,136
Current assets:			
Debtors	9	17,587,330	7,123,337
Cash and bank balances	10	8,566,620	15,931,565
Total assets		<u>281,755,224</u>	<u>332,542,038</u>
Liabilities:			
Investment liabilities		(225,828)	(1,716,545)
Creditors			
Bank overdrafts	10	(5,292,263)	(4,915,467)
Distributions payable	8	(1,003,925)	-
Other creditors	11	(11,864,044)	(1,759,165)
Total liabilities		<u>(18,386,060)</u>	<u>(8,391,177)</u>
Net assets attributable to shareholders		<u><u>263,369,164</u></u>	<u><u>324,150,861</u></u>

Notes to the financial statements

for the year ended 15 September 2023

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice ("SORP") for the Financial Statements of UK Authorised Funds issued by the Investment Management Association (IMA) in May 2014.

The ACD continues to adopt the going concern basis in preparation of the financial statements.

b) Valuation of investments

Fair Value Hierarchy - Valuation techniques

Level 1 - Quoted prices for identical assets and liabilities in active markets that the entity can access at measurement date. This includes equities, government bonds, options, futures and exchange traded funds.

Level 2 - Observable inputs, such as publicly available market data about actual events and transactions. This includes Collective Investment Scheme securities, fixed interest securities excluding government bonds and forward foreign exchange trades.

Level 3 - Unobservable Inputs where relevant observable market data is not available. This includes suspended or de-listed assets.

All investments are valued at market value at close of business on 15 September 2023. Market value is defined by the SORP as fair value, which generally is the bid value of each security.

Open future contracts and forward currency trades are valued at their fair market value using an independent pricing source.

c) Foreign exchange

The base currency of the Company and its Fund is Sterling, which is taken to be the Company's and its Funds functional currency, due to this being the principal economic environment.

All transactions in foreign currencies are converted into Sterling at the rates of exchange ruling at the dates of such transactions.

The resulting exchange differences are disclosed in the Statement of total return. Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate ruling on that date.

d) Revenue

Revenue is recognised in the Statement of total return on the following basis:

Interest on debt securities, bank deposits and short-term deposits is recognised on an earned basis. Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part

Notes to the financial statements (continued)

for the year ended 15 September 2023

1. Accounting policies (continued)

d) Revenue (continued)

of the revenue of the Fund. Debt securities are accounted for on an effective yield basis irrespective of the level of discount or premium. The amortised amount is accounted for as revenue and forms part of the distributable revenue of the Fund.

Revenue is allocated to the share class on a daily basis in line with the apportionment factor which is calculated daily.

e) Expenses

All expenses, other than those relating to the purchase and sale of investments, are paid out of the scheme property of the Fund as they are incurred, as detailed in the Prospectus. These can be paid from revenue or capital dependent on the specific investment objective of the Fund. Expenses payable from the revenue of the Fund are included in the final distribution. Expenses payable from capital property of the Fund may constrain the capital growth of the Fund.

Expenses are charged to the relevant share class against revenue and are then reallocated to capital for the following Fund:

Santander Sterling Bond Income Portfolio

Expenses payable from capital property of the Fund may constrain the capital growth of the Fund.

Audit fees relate to statutory audit of the Fund financial statements.

f) Taxation

Tax payable on revenue is recognised as an expense in the period in which revenue arises. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Overseas revenue received is predominately exempt from UK Corporation tax. The exempt overseas revenue and the tax implication is included within the Notes to the financial statements.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates or substantively enacted tax rates by the balance sheet date are used in the determination of deferred taxation.

Tax payable on revenue is calculated based on the revenue allocated to the specific share class.

g) Efficient portfolio management

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts are used for efficient portfolio management purposes. Where such instruments are used to protect or enhance revenue and the circumstances support it, the revenue or expenses derived there from are included in the Statement of total return as revenue related items. Where such instruments are used to protect or enhance capital and the circumstances support it, the gains and losses derived there from are included in the Statement of total return as capital related items.

Notes to the financial statements (continued)

for the year ended 15 September 2023

1. Accounting policies (continued)

h) Cash flow statement

The Fund is not required to produce a cash flow statement as it meets the exemption criteria set out in FRS 102 7.1A as the Fund's investments are highly liquid and carried at market value and a Statement of change in net assets is provided for the Fund.

i) Dilution Adjustment

The ACD may require a dilution adjustment on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. For the period from 1st November 2022 to 21st May 2023 the dilution adjustment may have been charged in the following circumstances: where the Company property was in continual decline; on a Fund experiencing large levels of net sales relative to its size; where a Fund was experiencing net sales or net redemptions on a day equivalent to 3% or more of the size of that Fund on that day; in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution adjustment. From 22nd May 2023 onwards, a dilution adjustment will be applied where a Fund is experiencing issues and redemptions of Shares on an aggregated basis.

2. Distribution policies

a) Basis of distribution

The distribution policy of the Fund is to distribute all available revenue after deduction of expenses and taxation payable from revenue. Distributions attributable to income shares are paid to shareholders. Distributions attributable to accumulation shares are re-invested in the Fund on behalf of the shareholders.

The Fund is known as a 'bond Fund' and therefore pays interest distributions.

b) Revenue

All revenue is included in the final distribution of the Fund with reference to the Accounting policies for revenue disclosed in note 1d.

c) Expenses

Expenses payable from the revenue of the Fund is included in the final distribution, with reference to the Accounting policies for expenses in note 1e.

d) Allocation of revenue and expenses to multiple share classes

All revenue and expenses which are directly attributable to a particular share class are allocated to that share class. All revenue and expenses which are attributable to each Fund are allocated to the Fund and are normally allocated across the share classes pro rata to the net asset value of each class on a daily basis.

Notes to the financial statements (continued)

for the year ended 15 September 2023

3. Net capital losses	2023	2022
	£	£
Non-derivative securities	(10,643,924)	(95,723,002)
Derivative contracts	60,645	1,269,186
Currency (losses)/gains	(563,081)	253,457
Forward currency contracts	1,230,184	44,411
Transaction charges	(26,680)	(30,203)
Net capital losses	<u>(9,942,856)</u>	<u>(94,186,151)</u>
4. Revenue	2023	2022
	£	£
Interest on debt securities	11,355,341	11,606,235
Bank interest	46,705	2,234
Margin interest	81,695	-
Total revenue	<u>11,483,741</u>	<u>11,608,469</u>
5. Expenses	2023	2022
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>1,722,119</u>	<u>2,491,309</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	<u>33,331</u>	<u>44,869</u>
Other expenses:		
Audit fees	12,695	11,716
Safe custody fees	19,151	27,236
FCA fee	115	61
Tax service fees	1,388	1,717
	<u>33,349</u>	<u>40,730</u>
Total expenses	<u>1,788,799</u>	<u>2,576,908</u>
6. Interest payable and similar charges	2023	2022
	£	£
Overdraft interest	261	8,060
Margin interest	28,987	9,848
Total interest payable and similar charges	<u>29,248</u>	<u>17,908</u>
7. Taxation	2023	2022
	£	£
a) Analysis of the tax charge for the year		
Overseas withholding tax	(1,867)	-
Total tax (credit)(note 7b)	<u>(1,867)</u>	<u>-</u>

Notes to the financial statements (continued)

for the year ended 15 September 2023

7. Taxation (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2022 - lower) than the standard rate of UK corporation tax for an open ended investment company in the UK of 20% (2022 - 20%) when applied to the net revenue before taxation. The differences are explained below:

	2023	2022
	£	£
Net revenue before taxation	9,665,694	9,013,653
Corporation tax @ 20% (2022 - 20%)	1,933,139	1,802,731
Effects of:		
Indexation allowance	(2,047)	-
Overseas withholding tax	(1,867)	-
Revenue exempt from UK corporation tax	18	-
Tax deductible interest distributions	(1,931,110)	(1,802,731)
Total tax charge (note 7a)	(1,867)	-

8. Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellation of shares, and comprise:

	2023	2022
	£	£
Gross interim income distribution paid	11,008,138	11,580,547
Gross interim accumulation distributions paid	113,637	104,588
Gross final income distribution payable	1,003,925	-
Gross final accumulation distributions payable	10,748	2,965
	12,136,448	11,688,100
Equalisation:		
Amounts deducted on cancellation of shares	150,584	11,290
Amounts added on issue of shares	(2,023)	(275)
Gross distributions	12,285,009	11,699,115
Reconciliation between net revenue and distributions:	2023	2022
	£	£
Net revenue after taxation per Statement of total return	9,667,561	9,013,653
Add:		
Undistributed revenue brought forward	259	259
Expenses paid from capital	1,788,800	2,576,908
Amortisation due to capital	828,648	-
Deduct:		
Shortfall of income/Deficit of share classes taken to capital	-	108,554
Undistributed revenue carried forward	(259)	(259)
Gross distributions	12,285,009	11,699,115

Details of the distribution per share are disclosed in the distribution table on pages 49 and 50.

Notes to the financial statements (continued)

for the year ended 15 September 2023

9. Debtors	2023	2022
	£	£
Amounts receivable on issue of shares	-	26,600
Sales awaiting settlement	8,168,093	1,640,348
Accrued revenue	4,882,793	5,456,389
Currency sales awaiting settlement	4,536,444	-
Total debtors	<u>17,587,330</u>	<u>7,123,337</u>

10. Cash and bank balances	2023	2022
	£	£
Amount held at futures clearing houses and brokers	1,279,526	2,388,389
Cash and bank balances	<u>7,287,094</u>	<u>13,543,176</u>
Total cash and bank balances	<u>8,566,620</u>	<u>15,931,565</u>
Bank overdraft*	<u>5,292,263</u>	<u>4,915,467</u>

As at 15 September 2023, the weighted average of the floating interest rate on bank balances was 0.64% (2022 - 0.00%).

*The bank overdrafts only incur interest on a net overdraft position as a compensated interest grouping agreement is in place.

11. Other creditors	2023	2022
	£	£
Amounts payable on cancellation of shares	228,427	919,714
Purchases awaiting settlement	6,841,416	536,272
Accrued expenses	242,285	303,179
Currency purchases awaiting settlement	<u>4,551,916</u>	<u>-</u>
Total other creditors	<u>11,864,044</u>	<u>1,759,165</u>

12. Risk disclosures

The main risks from the Fund's holding of financial instruments, together with the Authorised Corporate Director's (ACD's) policy for managing these risks, are disclosed below:

a) Market price risk

The Fund invests at least 95% in a wide range of bonds issued by the UK government denominated in or Hedged to UK Pounds Sterling; but may also invest in a wide range of other fixed interest investments which may include other government stocks, sovereign and sub-sovereign bonds, investment grade corporate bonds and Collective Investment Funds. The main risk arising from the Fund's financial instruments is market price. The value of securities is not fixed and may go down as well as up. This may be the result of specific factors affecting the value of individual securities held or maybe due to general market factors (such as government policy or the health of the underlying economy). Adherence to investment guidelines and to investment and borrowing powers set out in the Prospectus and in the Financial Conduct Authority's Collective Investment Funds Sourcebook (COLL) mitigates the risk of excessive risk exposures.

By diversifying the portfolio, where this is appropriate and consistent with the Fund's objectives, the market risk of a particular investment is reduced. Market risk is monitored by the Manager and appropriate Sub-Investment Manager by understanding the risk and return characteristics of the underlying investments as well as a regular performance review. The overall portfolio is stress tested to capture market specific risks of the Fund. The use of the derivatives is monitored using the commitment approach. The Fund is authorised to use derivatives to manage the duration of the Fund or the currency risk of the Fund.

Notes to the financial statements (continued)

for the year ended 15 September 2023

12. Risk disclosures (continued)

a) Market price risk (continued)

A 10% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £25,537,545 (2022 - £30,777,059). A 10% decrease in the value of the Fund's portfolio would have an equal and opposite effect.

b) Interest rate risk

Interest rate risk is the risk that the value of investments will fluctuate as a result of changes in interest rates. Cash balances and investments in fixed interest securities will be subject to such risk.

Interest rate risk in fixed income investments is monitored by the Manager and appropriate Sub-Investment Manager by analysing the investment characteristics of the underlying securities and issuers. The Manager and appropriate Sub-Investment Manager manages such risk by taking into account interest rate and duration, credit rating profile and other parameters such as the geographical and currency exposure of the underlying holdings. If interest rates rise, the revenue potential of the Scheme will also rise, but the capital value of fixed interest investments will decline. A decline in interest rates will generally have the opposite effect. Interest receivable on bank deposits and payable on bank overdrafts could also be affected by fluctuations in interest rates.

As at 15 September 2023, 99.75% of the Fund's assets were interest bearing (2022 - 100.00%).

As at the balance sheet date, a decrease in interest rates by 100 basis points (2022 - 300 basis points), with all other variables remaining constant, the investment portfolio would increase in value by £16,918,340 (2022 - £77,888,792). An increase in interest rates would have an equal but opposite effect. It is expected that a change in interest rates of similar magnitude would not have a material impact on the portfolio's income stream generated from fixed income assets. In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

Numerical disclosure of the interest rate risk profile is made in note 17.

c) Currency risk

The Fund is permitted to invest in fixed income securities denominated in foreign currencies. As a result, movements in exchange rates may affect the market price of the underlying investments. The value of the fixed income securities can therefore be affected by currency movements.

By diversifying the portfolio of the Fund, where this is appropriate and consistent with the Fund's objectives, the foreign currency risk of a particular investment is reduced. The ACD and appropriate Sub-Investment Manager monitors the Currency exposure of the portfolio on an ongoing basis to make sure the actual exposure is consistent with his understanding of future currency movements.

However, note that the currency risk can be hedged to limit the currency risk or to protect the value of the assets converted in the base currency of the Fund.

The Fund does not hold any significant currency balances as at the balance sheet date consequently no sensitivity analysis has been presented.

Notes to the financial statements (continued)

for the year ended 15 September 2023

12. Risk disclosures (continued)

d) Credit risk

Credit risk is the risk that a counterparty to or an issuer of a financial instrument will fail to meet its obligations or commitment that it has entered into with the Company. The risk also applies when the Fund invests in the units of Collective Investment Schemes that themselves are exposed to credit risk from underlying issuers or counterparties. The main contributor to credit risk is the risk of default from underlying issuers of fixed income securities.

The ACD and appropriate Sub-Investment Manager will ensure that, where applicable, underlying fixed-income securities have an exposure to credit risk that is consistent with the overall objectives of the Fund. Please see credit rate ratings analysis below:

Credit Ratings

2023	Market value	Percentage of total net assets
Investments	£	%
Investment grade (AAA - BBB)	227,823,361	86.50
Below investment grade (Below BBB to unrated)	27,332,084	10.38
Total fixed interest securities	255,155,445	96.88

2022	Market value	Percentage of total net assets
Investments	£	%
Investment grade (AAA - BBB)	258,957,715	79.89
Below investment grade (Below BBB to unrated)	48,003,361	14.81
Total fixed interest securities	306,961,076	94.70

e) Liquidity risk

Liquidity risk may result in the inability of the Fund to meet redemptions of shares that investors may wish to sell. The Fund is required to meet daily redemption and therefore may face liquidity risk in an adverse event, such as during periods of elevated market stress levels.

The Fund may invest in fixed income securities that tend to have relatively modest traded volumes, and the market in such securities can, at times, prove illiquid. The Manager and appropriate Sub-Investment Manager seeks to limit liquidity risk of the Fund by selecting a diversified range of fixed income issues.

f) Counterparty risk

In some instances, transactions in securities entered into by the Fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction.

Counterparties selected by the ACD and appropriate Sub-Investment Manager are subject to a strict selection process as well as an on-going monitoring to ensure that counterparty risk is minimised.

For numerical disclosure see note 18.

Notes to the financial statements (continued)

for the year ended 15 September 2023

12. Risk disclosures (continued)

g) Bond Risk

Funds investing partly or wholly in bonds will tend to be less volatile than pure equity funds. However, the capital value of a bond fund and the level of its income may fluctuate.

Bonds are a type of fixed income security. Generally, they tend to be less volatile than pure equity. However, they can be exposed to other risks. Fixed income securities carry the risk that the issuer may be unable to meet principal and interest payments on the obligation and may also be subject to price volatility, which may be due to interest rate sensitivity, market perception of the creditworthiness of the issuer or general market liquidity. It might not be possible to realise the expected market value of a fixed income security in a timely manner if that security becomes illiquid or if markets become illiquid. Fixed income securities are interest rate sensitive and their value may be reduced where interest rates increase, or may be increased where interest rates decrease. If interest rates change there is a risk that the reinvestment by a Scheme of interest payments it receives from a fixed income security will be subject to a different market rate of return compared to that at the time of purchase of the fixed income security. The performance of a Scheme investing in such securities will depend on the ability to anticipate and respond to changes in market interest rates and creditworthiness, and to utilise appropriate strategies to maximise returns, whilst attempting to reduce associated risks to capital investment.

Sub-investment grade & emerging markets bonds

Sub-investment grade fixed income and emerging market fixed income often generate a higher yield but carry an increased risk of the issuer being unable to meet principal and interest payments on the obligation, which may affect the capital value of a Scheme investing in them. Investment in higher yielding bonds with lower credit ratings may result in a greater risk of default and have a detrimental impact on income and capital value.

Asset-backed ("ABS") and Mortgage-backed ("MBS") Securities

MBS are a type of bond issued in the United States backed by a pool of mortgages, whereas ABS are backed by loans other than mortgages. In addition to the general risks associated with investing in bonds described above, investment in ABS or MBS carries a prepayment risk, whereby the borrowers of the underlying loans make larger than anticipated repayments, which may lead to a lower amount of interest being payable on these loans and therefore a lower interest payment being received by the ABS or MBS, and the value of the ABS or MBS reducing.

h) Capital Erosion Risk

Where the investment objective of a Fund is to treat the generation of income as a higher or equal (in the long term) priority to capital growth, all or part of the ACD's fees and expenses and / or other fees and expenses, may be charged against capital instead of against income and may constrain the capital growth of the Fund. This may result in capital erosion or constrain the capital growth of the Fund. See Section 21.8 of the main body of the Prospectus for further details.

i) Country Risk

Investing all or significant proportions of a Fund's assets into a single country is generally considered higher risk than investing more globally as the Fund will be exposed to the fluctuations of a single market and, in most cases, a single currency. Furthermore, shares of companies in a single country may become less liquid in certain market conditions which only apply to the single country, and bonds in a single country will be sensitive to that country's interest rate environment. As a result, shares and bond price fluctuations may be greater.

Notes to the financial statements (continued)

for the year ended 15 September 2023

12. Risk disclosures (continued)

j) Derivatives Risk

The Fund may use derivatives for efficient portfolio management (including for hedging) to reduce risk, reduce cost, or to generate additional capital or income if consistent with the risk profile of the Fund. The use of derivatives is not intended to significantly alter the overall risk profile of the Fund.

However, the use of derivatives may expose a Fund to a higher degree of risk. These risks may include credit risk with regard to counterparties with whom the Fund trades, the risk of settlement default, lack of liquidity of the derivative, sensitivity to price movements in the underlying asset, imperfect tracking between the change in value of the derivative and the change in value of the underlying asset that the Fund is seeking to track and greater transaction costs than investing in the underlying assets directly.

In accordance with standard industry practice when using derivatives, a Fund may be required to secure its obligations to its counterparty. For non-fully funded derivatives, this may involve the placing of initial and / or variation margin assets with the counterparty. For derivatives that require a Fund to place initial margin assets with a counterparty, such assets might not be segregated from the counterparty's own assets and, being freely exchangeable and replaceable, the Fund may have a right to the return of equivalent assets rather than the original margin assets deposited with the counterparty. These deposits or assets may exceed the value of the relevant Fund's obligations to the counterparty in the event that the counterparty requires excess margin or collateral. In addition, as the terms of a derivative may provide for one counterparty to provide collateral to the other counterparty to cover the variation margin exposure arising under the derivative only if a minimum transfer amount is triggered, the Fund may have an uncollateralised risk exposure to a counterparty under a derivative up to such minimum transfer amount.

Derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions are geared. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities.

k) Income Risk

Certain Funds may have a target income yield although this rate of income is not guaranteed. These Funds will make income distributions to Shareholders on the Distribution Dates listed for each Fund in Appendix 1. During periods of market uncertainty there is an increased risk that a Fund's target yield will not be achieved due to factors such as dividends issued by companies in which the Fund invests being reduced or investment by the Fund in fixed income assets yielding less income than expected.

Whilst Shareholders in each of these Funds will always receive the income earned by the relevant Fund, tax implications for a Shareholder may vary based on whether they subscribed or redeemed units in the Fund during a financial year, and on their individual tax situation.

13. Related party transactions

The following are considered by the Directors of the Authorised Corporate Director (ACD) to be related parties:

The ACD

The fees received by the ACD are set out in note 5. The ACD is related to the company as defined by Financial Reporting Standard 102, Section 33 'Related Party Disclosures' and is named on page 2. Monies received through creations and

Notes to the financial statements (continued)

for the year ended 15 September 2023

13. Related party transactions (continued)

cancellations are disclosed in the Statement of change in net assets attributable to shareholders. Amounts outstanding at the year end date are disclosed in notes 9 & 11. £428,637 (2022 - £1,166,744) was due to the ACD at the year end date.

Material shareholders

As at 15 September 2023, 99.82% (2022 - 99.78%) of the shares in issue in the Santander Sterling Bond Income Portfolio were held by Allfunds Nominee Limited which is a separate nominee company but deemed as a related party due to being a material shareholder.

As at 15 September 2023, the Fund held assets which are related to the ultimate holding company, Banco Santander S.A. The holdings and the associated transactions in the period and the comparative period are as follows:

Banco Santander 2.25% 2032

- a) The value of purchase transactions was nil (2022- £2,587,988) and sales transactions was £1,397,412 (2022 - £660,800).
- b) Revenue receivable for the year was £42,750 (2022 - £40,525) and the outstanding amount was nil (2022 - £40,525).
- c) The aggregate value of investments held at the year end was nil (2022 - £1,529,500).

Banco Santander 3.125% 2026

- a) The value of purchase transactions was nil (2022- £1,794,906) and sales transactions was £1,690,380 (2022 - nil).
- b) Revenue receivable for the year was £28,202 (2022 - £24,966) and the outstanding amount was nil (2022 - £24,966).
- c) The aggregate value of investments held at the year end was nil (2022 - £1,669,591).

Banco Santander 4.75% 2028

- a) The value of purchase transactions was nil (2022- £2,084,964) and sales transactions was £580,158 (2022 - nil).
- b) Revenue receivable for the year was £71,250 (2022 - £4,373) and the outstanding amount was £3,115 (2022 - £4,373).
- c) The aggregate value of investments held at the year end was £1,428,750 (2022 - £2,042,250).

Santander UK 2.92% 2026

- a) The value of purchase transactions was nil (2022- nil) and sales transactions was £673,567 (2022 - nil).
- b) Revenue receivable for the year was £86,578 (2022 - £145,926) and the outstanding amount was £37,058 (2022 - £38,324).
- c) The aggregate value of investments held at the year end was £2,779,688 (2022 - £3,417,837).

Santander UK Group Holdings 2.421% 2029

- a) The value of purchase transactions was nil (2022- £3,181,884) and sales transactions was £2,734,286 (2022 - nil).
- b) Revenue receivable for the year was £76,988 (2022 - £50,833) and the outstanding amount was nil (2022 - £50,833).
- c) The aggregate value of investments held at the year end was nil (2022 - £2,675,175).

Santander UK 7.098% 2027

- a) The value of purchase transactions was £730,000 (2022- nil) and sales transactions was nil (2022 - nil).

Notes to the financial statements (continued)

for the year ended 15 September 2023

13. Related party transactions (continued)

b) Revenue receivable for the year was £43,014 (2022 - nil) and the outstanding amount was nil (2022 - nil).

c) The aggregate value of investments held at the year end was £735,475 (2022 - nil).

14. Shareholders' funds

The Fund currently has two share classes; R Accumulation Shares and R Income Shares. The following is a reconciliation of the opening shares in issue to the closing shares in issue for each share class during the year:

	2023	2022
	No of shares	No of shares
R Income Shares		
Opening shares in issue	231,697,972	270,355,534
Shares issued in the year	273,090	190,171
Shares cancelled in the year	(36,378,738)	(38,847,733)
Closing shares in issue	<u>195,592,324</u>	<u>231,697,972</u>
	2023	2022
	No of shares	No of shares
R Accumulation Shares		
Opening shares in issue	2,451,235	2,769,411
Shares issued in the year	573	18,901
Shares cancelled in the year	(289,734)	(337,077)
Closing shares in issue	<u>2,162,074</u>	<u>2,451,235</u>

15. Fair value disclosure

	2023	
	Investment Assets	Investment Liabilities
	£	£
Quoted prices for identical instruments in active markets*	40,091,001	51,426
Observable inputs using market data*	<u>215,510,273</u>	<u>174,402</u>
	<u>255,601,274</u>	<u>225,828</u>
	2022	
	Investment Assets	Investment Liabilities
	£	£
Quoted prices for identical instruments in active markets*	14,386,328	1,042,159
Observable inputs using market data*	<u>295,100,808</u>	<u>674,386</u>
	<u>309,487,136</u>	<u>1,716,545</u>

* Details of the securities included within the fair value hierarchy are detailed on page 34 accounting policy (b) valuation of investments.

Debt securities included in the highest fair value hierarchy level relating to government bonds, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £40,394,185 for assets as at 15 September 2023 (2022 - £14,308,142).

Notes to the financial statements (continued)

for the year ended 15 September 2023

16. Purchases, sales and transaction costs

Asset Class	Purchases before transaction costs	Broker Commission	Transfer Taxes	Purchases after transaction costs	Commission as % of Purchases	Tax as % of Purchases
2023	£	£	£	£	%	%
Bonds	249,712,780	-	-	249,712,780	-	-
Total purchases	249,712,780	-	-	249,712,780		
2022	£	£	£	£	%	%
Bonds	345,364,183	-	-	345,364,183	-	-
Total purchases	345,364,183	-	-	345,364,183		

Asset Class	Sales before transaction costs	Broker Commission	Transfer Taxes	Sales after transaction costs	Commission as % of Sales	Tax as % of Sales
2023	£	£	£	£	%	%
Bonds	291,999,731	-	-	291,999,731	-	-
Total sales	291,999,731	-	-	291,999,731		
2022	£	£	£	£	%	%
Bonds	412,925,998	-	-	412,925,998	-	-
Total sales	412,925,998	-	-	412,925,998		

	Broker Commission	Transfer Taxes
2023	£	£
Total costs from purchases & sales	-	-
Total costs as % of Average NAV	-	-
2022	£	£
Total costs from purchases & sales	-	-
Total costs as % of Average NAV	-	-

There were direct transaction costs associated with derivatives in the year of £nil (2022 - nil) which is 0.00% of the Average NAV of the Fund (2022 - 0.00%).

Unlike shares, other types of securities such as bonds and Collective Investment Schemes have no separately identifiable transaction costs; these costs form part of the dealing spread. The only broker commissions paid were in relation to the purchase and sale of exchange traded funds. The estimated average dealing spread including the effects of foreign exchange for this Fund is 0.54% (2022 - 0.59%) of the transaction value.

Notes to the financial statements (continued)

for the year ended 15 September 2023

17. Interest rate risk profile of financial assets and liabilities

The analysis and tables provided below refer to the narrative disclosure on Interest rate risk disclosure in Note 12.

The interest rate risk profile of the Fund's financial assets and liabilities at 15 September 2023 was:

Currency	Floating Rate financial assets £	Fixed Rate financial assets £	Financial assets not carrying interest £	Total £
2023				
Australian Dollar	1,833	-	-	1,833
Euro	5,729	17,856,151	16,417,168	34,279,048
UK Sterling	3,015,194	236,623,697	42,090,739	281,729,630
US Dollar	398,707	675,597	714,484	1,788,788
2022				
UK Sterling	10,644,068	292,092,598	35,591,121	338,327,787
Other foreign currencies*	390,301	17,183,837	12,873,607	30,447,745

Currency	Financial liabilities not carrying interest £	Total £
2023		
Euro	34,048,360	34,048,360
UK Sterling	18,509,523	18,509,523
US Dollar	1,872,252	1,872,252
2022		
UK Sterling	14,407,342	14,407,342
Other foreign currencies*	30,217,329	30,217,329

*each individual foreign currency included within 'other foreign currencies' amounts to less than 0.07% net asset value of the Fund in the prior year.

18. Derivatives and Counterparty Exposure

The analysis and tables provided below refer to the narrative disclosure on Risk disclosures in note 12.

Notes to the financial statements (continued)

for the year ended 15 September 2023

18. Derivatives and Counterparty Exposure (continued)

The types of derivatives held at the balance sheet date were forward currency contracts. Details of individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

Counterparty	Forward currency contracts £	Total Gross Exposure £	Counterparty Exposure £
2023			
Goldman Sachs	607	607	607
HSBC Investment	12,434	12,434	12,434
Royal Bank of Canada	8,064	8,064	8,064
Standard Chartered Bank	6,752	6,752	6,752
2022			
HSBC Bank	5,645	5,645	5,645
Morgan Stanley International	4,992	4,992	4,992
Royal Bank of Canada	62,361	62,361	62,361
Royal Bank of Scotland	23,466	23,466	23,466
Societe Generale Paris	2,666	2,666	2,666
Standard Chartered Bank	33,385	33,385	33,385

At the balance sheet date no collateral was either held by the Fund or had been paid out to counterparties in respect of the above.

19. Post balance sheet events

Subsequent to the year end, the net asset value per share of the R Income share class has increased from 133.22p to 139.89p and the R Accumulation share class has increased from 129.54p to 137.53p as at 5th January 2024. This movement takes into account routine transactions but also reflects the market movements of recent months.

Distribution tables

for the year ended 15 September 2023

Gross interest distributions on R Income Shares in pence per share

	Payment date	Payment type	Gross revenue	Equalisation	Distribution paid/payable 2022/2023	Distribution paid 2021/2022
Group 1	15.11.22	monthly	0.3703	-	0.3703	0.4500
	15.12.22	monthly	0.3703	-	0.3703	0.4500
	15.01.23	monthly	0.3703	-	0.3703	0.4500
	15.02.23	monthly	0.3703	-	0.3703	0.4500
	15.03.23	monthly	0.3703	-	0.3703	0.4500
	15.04.23	interim	0.4689	-	0.4689	0.4500
	15.05.23	monthly	0.4689	-	0.4689	0.4500
	15.06.23	monthly	0.4689	-	0.4689	0.4500
	15.07.23	monthly	0.4689	-	0.4689	0.4500
	15.08.23	monthly	1.0921	-	1.0921	0.4500
	15.09.23	monthly	0.5160	-	0.5160	0.0000
	15.10.23	final	0.5133	-	0.5133	0.0000
Group 2	15.11.22	monthly	0.1328	0.2375	0.3703	0.4500
	15.12.22	monthly	0.1607	0.2096	0.3703	0.4500
	15.01.23	monthly	0.1422	0.2281	0.3703	0.4500
	15.02.23	monthly	0.0000	0.3703	0.3703	0.4500
	15.03.23	monthly	0.0000	0.3703	0.3703	0.4500
	15.04.23	interim	0.0000	0.4689	0.4689	0.4500
	15.05.23	monthly	0.0000	0.4689	0.4689	0.4500
	15.06.23	monthly	0.0000	0.4689	0.4689	0.4500
	15.07.23	monthly	0.0000	0.4689	0.4689	0.4500
	15.08.23	monthly	0.2841	0.8080	1.0921	0.4500
	15.09.23	monthly	0.3433	0.1727	0.5160	0.0000
	15.10.23	final	0.3688	0.1445	0.5133	0.0000

Distribution tables (continued)

for the year ended 15 September 2023

Gross interest distributions on R Accumulation Shares in pence per share

	Payment date	Payment type	Gross revenue	Equalisation	Distribution paid/payable 2022/2023	Distribution paid 2021/2022
Group 1	15.11.22	monthly	0.3449	-	0.3449	0.4000
	15.12.22	monthly	0.3449	-	0.3449	0.4000
	15.01.23	monthly	0.3449	-	0.3449	0.4000
	15.02.23	monthly	0.3449	-	0.3449	0.4000
	15.03.23	monthly	0.3449	-	0.3449	0.4000
	15.04.23	interim	0.4399	-	0.4399	0.4000
	15.05.23	monthly	0.4399	-	0.4399	0.4000
	15.06.23	monthly	0.4399	-	0.4399	0.4000
	15.07.23	monthly	0.4399	-	0.4399	0.4000
	15.08.23	monthly	1.0650	-	1.0650	0.4000
	15.09.23	monthly	0.4976	-	0.4976	0.0000
	15.10.23	final	0.4971	-	0.4971	0.1209
Group 2	15.11.22	monthly	0.0968	0.2481	0.3449	0.4000
	15.12.22	monthly	0.0544	0.2905	0.3449	0.4000
	15.01.23	monthly	0.0000	0.3449	0.3449	0.4000
	15.02.23	monthly	0.0000	0.3449	0.3449	0.4000
	15.03.23	monthly	0.0000	0.3449	0.3449	0.4000
	15.04.23	interim	0.0000	0.4399	0.4399	0.4000
	15.05.23	monthly	0.0000	0.4399	0.4399	0.4000
	15.06.23	monthly	0.0000	0.4399	0.4399	0.4000
	15.07.23	monthly	0.0000	0.4399	0.4399	0.4000
	15.08.23	monthly	0.1609	0.9041	1.0650	0.4000
	15.09.23	monthly	0.1294	0.3682	0.4976	0.0000
	15.10.23	final	0.2165	0.2806	0.4971	0.1209

Equalisation

Equalisation applies only to Group 2 shares. It is the average amount of revenue included in the purchase price of Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax in the hands of the shareholders but must be deducted from the cost of shares for capital gains tax purposes.

Accumulation distributions

Holders of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

Further information (unaudited)

Report and Accounts

Copies of annual and half-yearly long reports may be requested from the ACD or inspected at FNZ TA Services Ltd, Level 7, 2 Redman Place, Stratford, London E20 1JQ, United Kingdom.

The annual accounting period for the Company ends each year on 15 September, and the interim reporting period ends on 15 March.

The annual reports of the Company are published on or before 15 January and half yearly reports by 15 May each year.

Share classes

Share classes	ACD's annual management charge
R Accumulation Shares	0.60%
R Income Shares	0.60%

Income attributable to accumulation Shares is automatically added to (and retained as part of) the capital assets of the relevant Fund at the end of each applicable interim and/or annual accounting period and is reflected in the relevant Share price. Income attributable to income Shares is distributed to Shareholders in respect of each accounting period.

Each class may attract different charges and expenses and so monies may be deducted from the scheme property attributable to such classes in unequal proportions. In these circumstances, the proportionate interests of the classes within a Fund will be adjusted accordingly.

Further classes may be established from time to time by the ACD with the agreement of the Depositary, and where relevant the approval of the FCA, and in accordance with the Instrument of Incorporation. On the introduction of any new Fund or class, a revised prospectus will be prepared as soon as reasonably practical, setting out the details of such new Fund or class.

Minimum Investment

The minimum initial investment that can be made is £500 for all share classes.

The minimum subsequent investment that can be made is £1.50 for all share classes.

The minimum withdrawal that can be made is £1.50 for all share classes.

The minimum holding that must remain in all share classes is £500.

Voting Rights

Every Shareholder who (being an individual) is present in person, or (being a corporation) by its properly authorised representative, shall have one vote on a show of hands. A Shareholder may vote in person or by proxy on a poll vote, and any Shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

For some resolutions, for example to approve certain amendments to the Instrument of Incorporation, an extraordinary resolution is required. For an extraordinary resolution to be passed, at least 75% of the votes cast at the meeting must be in favour of it.

Further information (continued)

Voting Rights (continued)

For other resolutions, an ordinary resolution is required. For an ordinary resolution to be passed, more than 50% of the votes cast at the meeting must be in favour of it.

The rights attached to a class may only be varied in accordance with the FCA Regulations.

The ACD will not be counted in the quorum for a meeting. The ACD and its associates are not entitled to vote at any meeting, except in respect of shares which the ACD or an associate holds on behalf of or jointly with a person who, if itself the registered Shareholder, would be entitled to vote and from whom the ACD or its associate has received voting instructions.

Shareholders for the purposes of attending and voting at a meeting means those on the date seven days before the notice of the relevant meeting was sent out, but excludes holders those who are known to the ACD not to be Shareholders at the time of the meeting.

Any joint Shareholders may vote provided that if more than one joint holder of a share votes, the most senior joint Shareholder in the Register who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholder.

Winding Up of the Company or Terminating a Fund

The Company may not be wound up except:

- by the court, as an unregistered company under Part V of the Insolvency Act 1986; or
- if the Company is solvent, under the provisions of the FCA Regulations.

To wind up the Company under the FCA Regulations, the ACD has to notify the FCA of the proposal, confirming that the Company will be able to meet all its liabilities within the following 12 months.

Under the FCA Regulations the Company must be wound up or a Fund terminated:

- (a) if an extraordinary resolution is passed to that effect;
- (b) if the FCA agrees to a request by the ACD for revocation of the order in respect of the winding up of the Company or termination of a Fund (provided no material change in any relevant factor occurs prior to the date of the relevant revocation);
- (c) on the occurrence of an event specified in the Instrument of Incorporation as triggering a winding up of the Company or termination of a Fund;
- (d) when the period (if any) fixed for duration of the Company or a particular Fund by the Instrument of Incorporation expires or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up or a particular Fund terminated (for example if the net asset value of a Fund is less than £5,000,000 at any time more than one year after the first issue of shares in that Fund);
- (e) in the case of the Company, on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold any scheme property;
- (f) in the case of a Fund, on the effective date of a duly approved scheme of arrangement which is to result in the Fund ceasing to hold scheme property; or

Further information (continued)

Winding Up of the Company or Terminating a Fund (continued)

- (g) on the date when all Funds fall within (f) above or have otherwise ceased to hold any scheme property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular Fund.

On the occurrence of any of the above:

- FCA Regulations relating to dealing, valuation, pricing, investment and borrowing will cease to apply to the Company or the Fund;
- the Company will cease to issue and cancel shares in the Company or the Fund;
- the ACD will cease to sell or redeem shares or arrange for the Company to issue or cancel them for the Company or the Fund;
- no transfer of shares will be registered and no change to the Register will be made without the sanction of the ACD.
- where the Company is to be wound up, it will cease to carry on its business except as is required for its beneficial winding up; and
- the corporate status and corporate powers of the Company and (subject to the provisions above) the powers of the ACD continue until the Company is dissolved.

The ACD will, as soon as practicable after the Company or the Fund falls to be wound up or terminated (as appropriate) realise the assets and meet the liabilities of the Company or the Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up or termination, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the property of the Company or the Fund.

If the ACD has not previously notified Shareholders of the proposals to wind up the Company or to terminate the Fund, it will, as soon as practicable after the commencement of the winding up of the Company or termination of the Fund, give written notice of this commencement to Shareholders. When the ACD has caused all of the relevant property and all of the liabilities of the Company or the particular Fund to be realised, it will arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or a particular Fund.

As soon as reasonably practicable after completion of the winding up of the Company or the termination of a particular Fund, the Depositary will notify the FCA that the winding up or termination has been completed.

Following the completion of a winding up of the Company or termination of a Fund, the ACD must prepare a final account showing how the winding up or termination took place and how the property was distributed. The Auditors will make a report in respect of the final account stating their opinions as to whether it has been properly prepared. This final account and the Auditors' report on it must be sent to the FCA and to each affected Shareholder (or the first named of joint Shareholders) within four months of the completion of the winding up or termination.

As the Company is an umbrella company, each Fund has a specific segregated portfolio of assets and any liabilities attributable or allocated to a particular Fund shall be met out of the property attributable, or allocated to, that particular Fund. Accordingly, the assets of each Fund belong exclusively to that Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company or any other Fund, and shall not be available for any such

Further information (continued)

Winding Up of the Company or Terminating a Fund (continued)

purpose. Any liabilities, expenses, costs or charges which are not attributable to one Fund only and allocated in accordance with the FCA Regulations, may be re-allocated by the ACD provided that such re-allocation shall be done in a manner which is fair to Shareholders generally.

Dealing

The Fund is intended for both retail and institutional investors. Retail investors may only invest in a Fund through authorised intermediaries such as fund platforms, nominees or a financial advisor.

The ACD's delegate, FNZ TA Services Limited, is available to deal with requests from institutional investors to buy, redeem (sell) or switch Shares between 9am and 5pm on each Business Day.

Such applications and instructions may be made by post or electronic means where available. The Shares are bought, sold or switched at a forward price, being the price determined at the next valuation of the property of the relevant Fund after the receipt by FNZ TA Services Limited of the investor's instructions.

Subject to the ACD's internal approvals for new investors including the anti-money laundering measures:

- valid requests received prior to the 12noon Valuation Point are dealt that day;
- if valid requests are received after the Valuation Point, they are marked at the price at the next Valuation Point; and
- valid requests are processed at the next applicable Valuation Point following receipt of the request except in the case where dealing in a Fund has been deferred or suspended.

Please refer to the Prospectus for further information.

Pricing and dilution adjustment

Shares are priced on a single mid-market pricing basis in accordance with the FCA Regulations.

The price of a Share is the Net Asset Value attributable to the relevant Class divided by the number of Shares of that Class in issue.

The Net Asset Values attributable to each Class of each Fund will normally be calculated at 12 noon UK time on each Business Day.

The ACD reserves the right to revalue a Class or Fund at any time at its discretion.

For the purpose of calculating the price at which Shares in a Fund are to be issued or sold, the values of investments are calculated by using mid-market prices. The actual cost of buying or selling a Fund's investments may be higher or lower than the mid-market values used in calculating the Share price, for example due to dealing charges or through dealing at prices other than the mid-market price. Under certain circumstances this will have an adverse effect on the continuing Shareholders in a Fund. This effect is called "dilution".

For the purpose of reducing dilution in a Fund, the ACD may make a dilution adjustment to the price of a Share so that it is above or below that which would have resulted from a mid-market valuation of the Fund's investments. This will give a more accurate value of the actual price paid or received.

Further information (continued)

Pricing and dilution adjustment (continued)

A dilution adjustment will be applied where a Fund is experiencing issues and redemptions of Share on an aggregated basis. The dilution adjustment is calculated by reference to the costs of dealing in the underlying investments of the relevant Fund, including any dealing spreads, commissions and transfer taxes.

As dilution is directly related to the issues and sales of Shares in a Fund, it is not possible to predict accurately whether dilution will occur at a future point in time or how frequently however, based on historical data, the ACD expects to make a dilution adjustment on most occasions when Shares are issued or redeemed. A typical adjustment, based on historical data, is expected to be between 0% and 2% for the issue and redemption of Shares.

Please refer to the Prospectus for further information.

Taxation

The Fund pay corporation tax at 20% on their taxable income less expenses and are generally exempt from capital gains tax.

Where a Fund pays dividend distributions, these are paid without any deduction of tax. The first £1,000 of dividends, including dividend distributions from a Fund, paid to an individual (or, in the case of accumulation Shares, retained in a Fund and reinvested) in any tax year are tax-free (the dividend allowance). Where an individual's total dividends from all sources paid or treated as paid to an individual are more than the dividend allowance in a tax year, then the amount over the allowance is taxable at dividend tax rates which depend on the individual's circumstance.

A Fund which is over 60% invested in interest paying investments for the whole of its distribution period can pay interest distributions, these are generally known as 'bond funds'. The only Fund which is currently a bond fund is Santander Sterling Bond Income Portfolio. Individuals are entitled to a personal savings allowance each tax year, if an individual utilises their annual allowance they could be liable to pay additional tax on the gross distribution.

A distribution received by a shareholder liable to corporation tax is received as franked revenue to the extent that the revenue of the Fund consists of franked revenue. The balance of the distribution is received as an annual payment from which tax has been deducted at the basis rate.

Your tax voucher will indicate the appropriate rate of tax depending on whether interest or dividend distributions apply.

Please refer to the Prospectus for further information.

Risk Warnings

Please note that past performance is not necessarily a guide to the future. The price of shares and any revenue from them can fall as well as rise and you may not get back the amount you originally invested. Significant changes in interest rates could also affect the value of your investment and any foreign investments will be affected by fluctuations in rates of currency exchange. Investment in a Fund should generally be viewed as a long-term investment. **Please refer to the Key Investor Information Document for a fuller explanation of the risk warnings.** The most recent Key Investor Information Document may be obtained by visiting www.santanderassetmanagement.co.uk. Santander Asset Management UK Limited only provides information about its own products and will not give individual independent advice. Should you wish to seek advice, then please contact an Independent Financial Adviser.

Appointments

Authorised Corporate Director (ACD), Registrar and Investment Manager

Santander Asset Management UK Limited

287 St Vincent Street

Glasgow G2 5NB, United Kingdom

Authorised and regulated by the Financial Conduct Authority

Directors

Robert Noach - resigned 8 May 2023

Richard Royds – appointed 8 May 2023

Dr Jocelyn Dehnert

Lazaro de Lazaro Torres

Pak Chan

Jacqueline Hughes

Miguel Angel Sanchez Lozano – appointed 6 February 2023

Sub-Investment Manager

BlackRock Investment Management (UK) Limited

12 Throgmorton Avenue

London EC2N 2DL, United Kingdom

Authorised and regulated by the Financial Conduct Authority

Depositary

NatWest Trustee and Depositary Services Limited

House A, Floor 0

Gogarburn

175 Glasgow Road

Edinburgh EH12 1HQ, United Kingdom

Authorised and regulated by the Financial Conduct Authority

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria House, 144 Morrison Street

Edinburgh, EH3 8EX, United Kingdom

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