



# The Virgin Money Bond and Gilt Fund

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**Final Report and Financial Statements**  
**For the year ended 1 October 2020**

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# Management and professional services

For the year ended 1 October 2020

## Manager (the 'Manager')

Virgin Money Unit Trust Managers Limited  
Jubilee House  
Gosforth  
Newcastle upon Tyne  
NE3 4PL

### Directors:

S. Bruce	(appointed 29 September 2020)
H. Chater	
S. Fennessy	(appointed 13 December 2019, resigned 29 September 2020)
F. Murphy	(appointed 19 October 2020)
M. Phibbs	(appointed 17 October 2019)
D. Pope	(resigned 24 October 2019)
J. Scott	(appointed 13 December 2019, resigned 4 December 2020)
I. Smith	(resigned 19 October 2020)
D. Taylor	(appointed 29 September 2020)
N. L. Tu	
S. Wemyss	(appointed 8 December 2020)

Telephone 03456 10 20 30\*

Authorised and regulated by the Financial Conduct Authority.

## Investment adviser

Aberdeen Asset Managers Limited  
10 Queen's Terrace  
Aberdeen  
Aberdeenshire  
AB10 1XL

Authorised and regulated by the Financial Conduct Authority.

## Registrar

SS&C Financial Services Europe Limited  
SS&C House  
St Nicholas Lane  
Basildon  
Essex  
SS15 5FS

## Trustee

Citibank Europe plc, UK Branch  
Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## Independent auditor<sup>#</sup>

KPMG LLP  
St. Vincent Plaza  
319 St. Vincent Street  
Glasgow  
G2 5AS

\* Calls to 03 numbers cost the same as calls to 01 or 02 numbers and they are included in inclusive minutes and discount schemes in the same way. Calls may be monitored and recorded.

<sup>#</sup> PricewaterhouseCoopers resigned as auditors on 19 July 2019. KPMG were appointed on 17 October 2019.

# Manager's investment report

For the year ended 1 October 2020

## Investment Objective, Policy and Strategy

The investment objective of the Virgin Money Bond and Gilt Fund (the "Fund") is to provide a total return (predominantly income but also any capital growth) from bonds and gilts. The Fund aims to achieve this by tracking the performance of a composite index, comprising 50% the FTSE 5-15 Year Gilt Index and 50% the Bank of America Merrill Lynch 5-15 Year AAA-A Non-Gilt Index, measured annually, less charges.

The Fund invests 50% of its assets in bonds issued by the UK Government (known as "gilts") and 50% in other bonds. These other bonds comprise:

- > corporate bonds
- > bonds issued by government agencies; and
- > bonds issued by supranational organisations, such as the European Investment Bank.

All bonds are denominated in sterling.

The Fund pursues a low risk strategy by investing in medium term (5 to 15 years) gilts, whilst its other bonds are highly rated (AAA-A) by leading credit agencies. This means a lower risk of non-payment compared to lower rated bonds.

An Investment Advisor manages the Fund and seeks to match closely the composition of the composite index by only investing in the bonds and gilts that make up the two indices referenced in the investment objective. This means that the Fund is "passively" managed, as it only invests in line with these indices.

## Trust Status

The Fund is an authorised unit trust scheme under S243 of the Financial Services and Markets Act 2000 and is categorised as a UCITS<sup>1</sup> scheme under the Collective Investment Schemes Sourcebook ('the COLL Rules').

## Financial Instruments

In pursuing its investment objective set out above, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations. Further details of the risks that arise in connection with financial instruments and how these risks are managed are set out in note 14 of the financial statements.

Unit Trust schemes are not permitted by the Regulations<sup>2</sup> to enter into a transaction if its purpose could reasonably be regarded as speculative. The Fund's use of financial instruments satisfies these requirements and no speculative trading in financial instruments is undertaken.

## Risk and Reward Profile

The Fund's Synthetic Risk and Reward Indicator ('SRRI') is 4 on a scale of 1 (lower) to 7 (higher) as it invests in gilt-edged securities and other bonds. These typically provide moderate rewards but carry a lower level of risk than other investments such as company shares.

For further information, please refer to the Trust's Key Investor Information Document ('KIID').

## Distribution

The Fund receives interest income from the corporate bonds and gilts held in its portfolio. Every six months, income received is netted off against expenses incurred. Any net balance is distributed two months after the end of the period.

The distributions for each unit class outlined below reflect differences in both the net assets of the Fund represented by each class and their operating charges.

### Income Unit Class

The final distribution for the year ended 1 October 2020 for the Income Unit Class will be 0.5789p net per unit payable on 1 December 2020.

The total distribution for the year is 1.3411p net per unit.

### AE Income Unit Class<sup>3</sup>

The final distribution for the year ended 1 October 2020 for the AE Income Unit Class will be 0.4599p net per unit payable on 1 December 2020.

The total distribution for the year is 1.0672p net per unit.

# Manager's investment report

For the year ended 1 October 2020

## Fund Performance

For the year ended 1 October 2020, the net asset value of each unit increased by 1.09% from 136.11p to 137.60p, having accounted for distribution paid and payable equivalent to 0.99%<sup>4</sup> of the value of each unit at the beginning of the year.

The Fund is managed to match closely the performance of the composite index and minimise deviations in return performance (the 'tracking error') compared to that composite index. The tracking error at the end of the period was 0.08%<sup>5</sup>. Over any twelve month period the tracking error of the Fund is expected to be within 20 basis points (0.20%) of the composite index.

## Significant Events

Investors will be aware of the COVID-19 outbreak and the impact this has had on the global economy and capital markets. The outbreak has also had an impact on operational matters with key suppliers and stakeholders operating on a working from home model. Our focus on individual investors and their access to security protected telephone help and support has remained robust during a period in which the office working model has been replaced almost entirely by home working. We continue to monitor closely this service provision during this period in order to retain the high service standards demanded.

Although there is uncertainty in global capital markets, the Net Asset Value per unit has increased from 137.60p as at the year end to 138.80p as at 9 December 2020 on the 'Income units' share class. This represents an increase of 0.87%.

<sup>1</sup> Authorised in accordance with the Undertakings in Collective Investments in Transferable Securities (UCITS) Directive.

<sup>2</sup> The Regulations derive from UK and EU financial services legislation including the Financial Services and Markets Act 2000, the UCITS Directive and Financial Conduct Authority (FCA) rules, principally COLL.

<sup>3</sup> The Auto-Enrolment (AE) Income Unit Class is only available for investment to Virgin Money Nominees Limited on behalf of Virgin Stakeholder Pension Scheme auto-enrolment members. This unit class is not available to retail customers.

<sup>4</sup> Based on net asset value of the Income Unit Class.

<sup>5</sup> Tracking error is calculated as the deviation of returns excluding annual management charges for the year. The difference in return can be attributed, among other things, to a number of managed and non-managed factors, including small differences in weightings resulting from trading activity; and differences between the Fund's and the composite index vendors' valuation methodologies.

# Manager's investment report

For the year ended 1 October 2020

## Markets overview for the twelve months to 30 September 2020

As the impact of the COVID-19 pandemic hit economies and companies, investors sold shares for the relative safety of bonds and gilts. This meant that during a 12 month period where the FTSE All-Share equities Index fell significantly, the value of bonds and gilts actually increased.

### Economic factors were mixed:

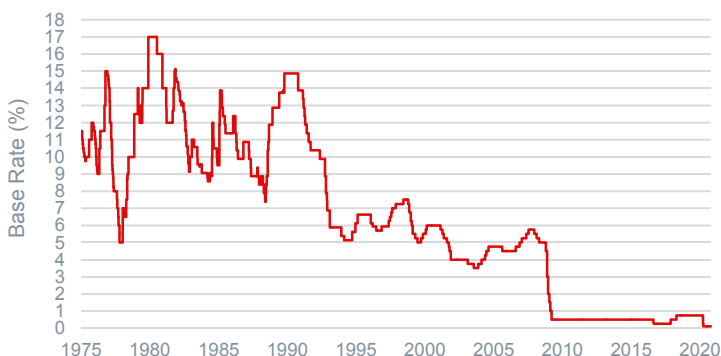
- In the final three months of 2019, UK economic growth stalled due to political uncertainty and ongoing trade tension between the US and China. However, at that time unemployment was low, real-wage growth was positive and mortgage approvals reached a three-month high.
- COVID-19 was the dominant factor over the period. The virus was detected in China in late 2019, but quickly spread around the globe. The effort to control the virus led to lockdowns in most developed economies, closure of businesses and disruption to everyday life. As a result, countries around the world are experiencing falling or negative economic growth and rising unemployment.
- Many governments announced a record stimulus to save jobs and companies. The UK, US and European Union (EU) all reacted quickly with huge packages of spending, tax cuts and unemployment benefits aimed at cushioning the economic impact of the virus. In March 2020, the UK Chancellor pledged a 'lifeline' package of financial support worth £350 billion. The UK's furlough scheme has seen huge take-up, with nine million people on furlough at its peak.
- The economic slump resulting from the COVID-19 lockdowns pushed the UK into recession – the first since 2009. This was officially declared in August although there are already signs of a tentative recovery.
- Interest-rate cuts were prevalent over the period. The US Federal Reserve reduced the main rate three times, with the final cut taking the main US rate to near zero, a level last seen in the aftermath of the 2008 global financial crisis. The Bank of England (BoE) also made two rate cuts in March 2020 the last of which took the base rate down to its lowest ever rate of 0.10%.

- Brexit negotiations rumbled on throughout the period. An unprecedented period of political stalemate culminated in a three-month extension to Brexit, the approval of Boris Johnson's Withdrawal Act and a December election, which the Conservative Party won. At the end of January, the UK officially left the EU. Several deadlines for a Brexit withdrawal agreement were proposed and missed in 2020. In September, fresh rows erupted over UK proposals to change customs procedures in Northern Ireland, previously laid out in the withdrawal agreement.
- US-China relations have shaped global trade. The US and China signed a 'phase-one' trade agreement in January 2020, which was seen as a step forward in the longstanding international dispute. But relations have deteriorated in the last few months, particularly over China's policy in Hong Kong.

### Demand for bonds continued:

- Towards the end of 2019, corporate bond and government bond (gilt) prices fell on raised expectations that the UK would avoid a no-deal Brexit. A thaw in US-China trade tensions also led to increased optimism over global growth which meant investors turned away from bonds and gilts towards riskier assets as a result.
- However, this position reversed as COVID-19 rattled stock markets, leading many investors away from equities and back towards bonds and gilts which have historically been perceived as lower-risk assets.
- Gilt supply has been at record levels – for the first eight months of the financial year, as the UK government, like many countries, has sold more gilts in 2020 to finance its coronavirus support efforts.
- Economic growth concerns led central banks around the world to cut interest rates. This boosted demand for bonds and gilts (lower interest rates mean investors could gain more income from them than cash deposits).
- Corporate bond performance has been more volatile than gilts. They started the period on a high, as investors viewed the Conservative Party's victory positively. However, prices fell back in early 2020, as investors worried about company bankruptcies resulting from COVID-19.
- However, corporate bonds have recovered recently, in part due to support from central bank and government stimulus programmes and, while investors remain nervous over the stability of bond-issuing companies in an uncertain economic environment, corporate bonds finished up over the period.

## Historical Bank of England (BoE) Base Rate



# Manager’s investment report

For the year ended 1 October 2020

**Fund Performance:**

The Virgin Money Bond and Gilt Fund generated a gain of 1.09% for the 12-month reporting period.

**Virgin Bond and Gilt Fund**



Virgin Bond and Gilt Fund unit prices 2 October 2019 to 1 October 2020

# Manager's investment report

For the year ended 1 October 2020

## Assessment of Value

The Financial Conduct Authority (FCA) has introduced new rules to strengthen the duty of asset managers to act in investors' best interests. This means we need to carry out an assessment for each of our funds to see whether they provide value for our customers. This assessment needs to consider cost in the context of performance and the other benefits too.

This assessment of value is provided below with some further information on Environmental, Social and Governance (ESG) considerations, and our summary conclusion.

## Quality of Service

Key measure	VM assessment
Customer Value	We want to make investing as simple as possible. This means a small number of funds, easy-to-understand, jargon-free material and on and offline 'easy access' support. Most of our new investors buy online but we know from surveys that both new and existing customers value our high-quality telephone support. This service is available six days a week until 9pm on weekdays. It's stress-free too, with short waiting times and high customer satisfaction levels in providing the assistance our customers want.
Market Context	Our contact centre staff aim to answer questions at times that suit our customers. We're all about straightforward information on the funds and products we offer. We believe this compares well with other providers. We have maintained good performance levels through 2020, with over 80% of calls answered within 10 seconds, and nearly all calls answered within 1 minute, even during the busiest times.
Room for Improvement	We'll continue to review and improve the support services and online experience we offer to customers.

## Performance

Key measure	VM assessment
Customer Value	Over the five years to end Sept 2020, the fund returned 3.4% per year (after charges), which we think is a good return considering the low risk strategy the fund follows. The fund invests only in high quality bonds defined by the Investment Objective, which is to track the performance of a benchmark consisting 50% UK Government Bonds ('Gilts') and 50% Corporate Bonds (with high credit ratings, AAA-A).
Market Context	Most other UK bond funds take more risk than the Virgin fund. In good times, additional risk should equate to higher returns, and over the last five years, the average UK bond fund has performed a little better, 4.4% per year. So compared to other funds, risk is a bit lower, and the return has been too, but the Fund has tracked the Gilt and UK Corporate Bond market well and we are happy with the results.
Room for Improvement	We remain confident that the fund will continue to generate returns in keeping with the markets the fund seeks to track – and that the low risk strategy remains appropriate.



# Manager's investment report

For the year ended 1 October 2020

## Authorised Fund Manager Costs

Key measure	VM assessment
Customer Value	<p>When looking at overall cost, two key factors need to be considered. They're investment management fees paid to our Investment Adviser and the cost of admin and customer support. The Fund is managed by our partner, Aberdeen Asset Management, and we negotiated competitive fees with them when they took on managing the fund in 2019 – we remain happy with this arrangement.</p> <p>For admin and customer service, we're looking at a potential new provider. This may mean a change in the future. If so, we'll write to customers beforehand.</p>
Market Context	<p>We believe the fee we pay our new Investment Adviser is competitive.</p> <p>As mentioned above, we may change our admin provider as we wish to ensure that our services remain high quality in the context of increasing use of digital, mobile and online channels.</p>
Room for Improvement	Potential change in admin and service provider.

## Economies of Scale

Key measure	VM assessment
Customer Value	<p>Launched in 1995, the fund has enjoyed growth over many years and now has over £550m invested.</p> <p>The fund along with other funds we manage, benefits from fee negotiations on services which are common across our fund range. For example, the cost of administration services are based on the total number of customers across all our funds.</p> <p>The economies of scale manifest themselves in our ability to keep charges competitive, including the reduction in the annual fee from 1.0% to 0.6% in January 2019.</p>
Market Context	<p>The fund has been a key part of the life styling approach within our Pension since its launch in the 1990's. But times change, and with greater freedom around how pension savers use their money, we have changed our pension strategy and part of the assets of the Bond &amp; Gilt Fund were moved in November this year and the fund reduced to £375m in size (as at end November).</p>
Room for Improvement	<p>With the Fund reducing in size as above, we don't think there will be any issues, but that doesn't mean we shouldn't pay close attention to how the change in assets affects the fund. The onus is on us to ensure the Fund continues to operate as normal and remains competitive.</p>

## Comparable Market Rates

Key measure	VM assessment
Customer Value	<p>The fund reduced the Annual Management Charge from 1.0% to 0.6% in January 2019. All fees and expenses are met out of this, including admin (often charged separately). We believe this is competitive with other bond funds.</p>
Market Context	<p>Most funds are now bought in the UK with the cost of the fund, separated from the cost of the administration (sometimes provided by another company, for example an investment supermarket or funds platform). Whilst customers have to get their heads around two fees rather than one, it is arguably more transparent.</p>
Room for Improvement	<p>As mentioned above, we are considering a change in admin provider, and also at that time, separating the cost of the investment fund from the cost of the admin. We will write to you when we have more details to share.</p>

# Manager's investment report

For the year ended 1 October 2020

## Comparable Services

Key measure	VM assessment
Customer Value	The fund is available via our ISA and Pension and as an investment outside of a 'tax wrapper'. There's no extra charge for the provision of these wrappers. We don't market the fund to institutional investors and all costs and services paid by the fund are based on this simple model.
Market Context	One of our strengths is our focus on individual investors. It lets us manage our funds and improve our services and communications with this single audience in mind.
Room for Improvement	We believe the commercial arrangements with our suppliers are competitive. But all arrangements are under review as we explore opportunities with Standard Life Aberdeen (SLA) - the new joint owner of the Investment and Pensions business. SLA bring a wealth of experience - both in terms of asset management and service development - to our Investment and Pension customers.

## Classes of Units

Key measure	VM assessment
Customer Value	There are currently two classes of unit, a standard share class and an 'AE' class for certain pension customers, but they are both priced the same, and all customers pay the same charge.
Market Context	Most other fund managers have multiple share classes per fund for the different types of investor. We believe our focus on individual retail investors keeps our offering simple and clear.
Room for Improvement	We're planning to separate the cost of investment management from the cost of admin. This will make it easier to understand what you're paying for. We'll write to you next year before this happens.

## Environmental, Social and Governance (ESG)

The fund is an index tracking fund and ESG considerations do not influence which bonds are held.

That doesn't mean that ESG issues aren't important to us though. We have to consider ESG matters and talk to companies - on your behalf - to raise issues and change their practices for the better.

You can read about the investor engagement policy for Virgin Money Unit Trust Managers and Aberdeen Standard Investments on our website.

## Our summary conclusions

We've looked at the key features of the fund and the customer service provided to investors, and believe the all-in fee of 0.6% per year continues to represent fair value.

The fund has consistently delivered growth over five year periods – the minimum recommended investment period, and the latest five year return of 3.4% (to end Sept' 2020) is a decent return in keeping with the low risk profile of the fund.

Our UK-based call centre has continued to perform well in terms of customer satisfaction, ease of access and availability. We are proud of being able to answer over 80% of calls within 10 seconds, and nearly all calls within 1 minute, even at the busiest times, during 2020.

We're always looking to improve both our investment management provision and quality of service and we plan further improvements in 2021. We'll write to you in due course with more information.

# Comparative tables

As at 1 October 2020

Change in net assets per unit for the year ending	Income Units			AE Income Units		
	1 Oct 20 (p)	1 Oct 19 (p)	1 Oct 18 (p)	1 Oct 20 (p)	1 Oct 19 (p)	1 Oct 18 (p)
Opening net asset value per unit	136.11	126.05	128.13	108.13	100.12	101.77
Return before operating charges	3.65	12.57	0.52	2.90	10.00	0.41
Operating charges	(0.82)	(0.94)	(1.29)	(0.65)	(0.67)	(0.76)
<b>†Return after operating charges</b>	<b>2.83</b>	<b>11.63</b>	<b>(0.77)</b>	<b>2.25</b>	<b>9.33</b>	<b>(0.35)</b>
Distributions on income units	(1.34)	(1.57)	(1.31)	(1.07)	(1.32)	(1.30)
Closing net asset value per unit	137.60	136.11	126.05	109.31	108.13	100.12
After direct transaction costs of :	0.00	0.00	0.00	0.00	0.00	0.00
<b>Performance</b>						
Return after operating charges (%) <sup>*</sup>	2.08	9.23	(0.60)	2.08	9.32	(0.34)
<b>Other information</b>						
Closing net asset value (£)	564,039,831	544,938,756	495,840,551	5,074,524	6,457,183	7,155,632
Closing number of units	409,917,345	400,363,371	393,354,985	4,642,400	5,971,841	7,146,800
Operating charges (%) <sup>‡</sup>	0.60	0.72	1.00	0.60	0.65	0.75
Direct transaction costs (%)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Prices</b>						
Highest price (p)	139.40	137.70	130.50	110.70	109.40	103.70
Lowest price (p)	129.90	124.90	125.70	103.20	99.29	100.10

<sup>\*</sup>The Return after operating charges is calculated as the 'Return after operating charges' per unit divided by the 'Opening net asset value' per unit.

<sup>‡</sup>The operating charges are the annualised total expenses paid by the Fund in the year, expressed as a percentage of its average net assets.

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
<b>GILTS (49.91%*)</b>		<b>284,654</b>	<b>50.02</b>
UK Treasury 0.125% 30/01/2026	12,358,500	12,447	2.19
UK Treasury 1.5% 22/07/2026†	24,393,300	26,579	4.67
UK Treasury 1.25% 22/07/2027†	21,156,500	22,903	4.03
UK Treasury 4.25% 07/12/2027	18,581,000	24,191	4.25
UK Treasury 0.125% 31/01/2028	11,833,500	11,852	2.08
UK Treasury 1.625% 22/10/2028†	21,153,800	23,754	4.17
UK Treasury 6% 07/12/2028	11,319,600	16,727	2.94
UK Treasury 0.875% 22/10/2029†	22,556,500	23,939	4.21
UK Treasury 0.375% 22/10/2030	18,656,000	18,840	3.31
UK Treasury 4.75% 07/12/2030†	24,040,200	34,945	6.14
UK Treasury 4.25% 07/06/2032†	22,538,500	32,561	5.72
UK Treasury 4.5% 07/09/2034	20,263,600	31,235	5.49
UK Treasury 0.625% 31/07/2035	4,657,900	4,681	0.82
<b>EUROSTERLING-CORPORATE (48.88%*)</b>		<b>277,149</b>	<b>48.70</b>
A2D Funding II 4.5% 30/09/2026	300,000	344	0.06
A2Dominion Housing 3.5% 15/11/2028	600,000	664	0.12
Aegon 6.125% 15/12/2031	460,000	670	0.12
America Movil 5% 27/10/2026	1,100,000	1,334	0.23
America Movil 5.75% 28/06/2030	1,300,000	1,747	0.31
America Movil 4.948% 22/07/2033	510,000	681	0.12
Anglian Water Services Financing 4.5% 05/10/2027	790,000	952	0.17
Anglian Water Services Financing 6.625% 15/01/2029	480,000	673	0.12
Anglian Water Services Financing 2.75% 26/10/2029	800,000	898	0.16
Apple 3.05% 31/07/2029	1,490,000	1,792	0.31
Artesian Finance II 6% 30/09/2033	770,000	1,195	0.21
Asian Development Bank 1.125% 15/12/2025	450,000	470	0.08
Asian Development Bank 0.625% 15/09/2026	700,000	713	0.12
Assura Financing 3% 19/07/2028	570,000	638	0.11
Banco Santander 1.75% 17/02/2027	1,100,000	1,090	0.19
Bank of America 4.25% 10/12/2026	500,000	594	0.10

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
Bank of America 7% 31/07/2028	2,500,000	3,546	0.62
Banque Federative du Credit Mutuel 1.25% 05/12/2025	900,000	921	0.16
Banque Federative du Credit Mutuel 1.5% 07/10/2026	700,000	727	0.13
Belgium Government Bond 5.7% 28/05/2032	350,000	529	0.09
BG Energy Capital 5.125% 01/12/2025	1,500,000	1,853	0.32
BNG Bank 5.2% 07/12/2028	600,000	824	0.14
BNP Paribas 3.375% 23/01/2026	2,000,000	2,198	0.39
BNP Paribas 1.875% 14/12/2027	1,800,000	1,838	0.32
Bouygues 5.5% 06/10/2026	800,000	1,003	0.18
BP Capital Markets 2.274% 03/07/2026	1,000,000	1,081	0.19
BPCE 1.375% 23/12/2026	900,000	919	0.16
British Land 2.375% 14/09/2029	700,000	711	0.12
Broadgate Financing 4.851% 05/04/2031	240,000	308	0.05
Broadgate Financing 4.999% 05/10/2031	1,000,000	1,200	0.21
Broadgate Financing 5.098% 05/04/2033	467,500	559	0.10
Brown-Forman 2.6% 07/07/2028	600,000	666	0.12
Caisse Francaise de Financement Local 5.5% 16/07/2026	300,000	384	0.07
Canary Wharf Finance II 6.455% 22/07/2030	407,918	506	0.09
Canary Wharf Finance II 6.8% 22/10/2033	336,432	428	0.08
Canary Wharf Finance II 5.952% 22/01/2035	400,000	569	0.10
Cie de Financement Foncier 5.5% 26/01/2027	610,000	790	0.14
Citigroup 5.15% 21/05/2026	1,300,000	1,576	0.28
Citigroup 1.75% 23/10/2026	1,280,000	1,318	0.23
Clarion Funding 2.625% 18/01/2029	700,000	773	0.14
Clarion Funding 1.875% 22/01/2035	550,000	567	0.10
Close Brothers Finance 2.75% 19/10/2026	700,000	746	0.13
Clydesdale Bank 4.625% 08/06/2026^	1,350,000	1,653	0.29
Comcast 1.5% 20/02/2029	1,080,000	1,102	0.19
Comcast 5.5% 23/11/2029	1,300,000	1,776	0.31
Commonwealth Bank of Australia 3% 04/09/2026	1,510,000	1,716	0.30
Community Finance Co 1 5.017% 31/07/2034	1,200,000	1,655	0.29

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
Compass 3.85% 26/06/2026	447,000	517	0.09
Compass 2% 03/07/2029	710,000	754	0.13
Cooperatieve Rabobank 4.55% 30/08/2029	510,000	665	0.12
Council Of Europe Development Bank 0.75% 22/07/2027	670,000	686	0.12
CPPIB Capital 1.125% 14/12/2029	1,540,000	1,578	0.28
Deutsche Bahn Finance 1.875% 13/02/2026	520,000	554	0.10
Deutsche Bahn Finance 3.125% 24/07/2026	900,000	1,028	0.18
Diageo Finance 1.75% 12/10/2026	1,000,000	1,064	0.19
Diageo Finance 2.875% 27/03/2029	600,000	689	0.12
Diageo Finance 1.25% 28/03/2033	760,000	757	0.13
DWR Cymru Financing 6.015% 31/03/2028	600,000	811	0.14
DWR Cymru Financing 1.375% 31/03/2033	750,000	759	0.13
East Japan Railway 4.75% 08/12/2031	750,000	1,038	0.18
East Japan Railway 5.25% 22/04/2033	450,000	661	0.12
East Japan Railway 4.875% 14/06/2034	500,000	721	0.13
Electricite de France 6.25% 30/05/2028	1,700,000	2,272	0.40
Electricite de France 5.875% 18/07/2031	560,000	786	0.14
Electricite de France 6.125% 02/06/2034	2,950,000	4,374	0.77
Engie 7% 30/10/2028	1,000,000	1,458	0.26
Equinor 6.125% 27/11/2028	400,000	555	0.10
Equinor 6.875% 11/03/2031	1,670,000	2,583	0.45
ESB Finance 1.875% 21/07/2035	630,000	670	0.12
EUROFIMA 5.5% 07/06/2032	340,000	509	0.09
European Bank for Reconstruction & Development 5.625% 07/12/2028	1,320,000	1,862	0.33
European Investment Bank 1% 21/09/2026	4,020,000	4,197	0.74
European Investment Bank 0.75% 22/07/2027	280,000	288	0.05
European Investment Bank 3.75% 07/12/2027	1,800,000	2,231	0.39
European Investment Bank 6% 07/12/2028	3,090,000	4,463	0.78
European Investment Bank 4.5% 07/06/2029	3,500,000	4,686	0.82
European Investment Bank 5.625% 07/06/2032	5,400,000	8,381	1.47
Federal National Mortgage Association 5.375% 07/12/2028	860,000	1,172	0.21

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
GlaxoSmithKline Capital 3.375% 20/12/2027	1,190,000	1,404	0.25
GlaxoSmithKline Capital 1.25% 12/10/2028	1,520,000	1,543	0.27
GlaxoSmithKline Capital 5.25% 19/12/2033	1,960,000	2,894	0.51
GlaxoSmithKline Capital 1.625% 12/05/2035	1,520,000	1,552	0.27
Goldman Sachs 4.25% 29/01/2026	1,350,000	1,553	0.27
Goldman Sachs 7.25% 10/04/2028	1,050,000	1,484	0.26
Goldman Sachs 3.125% 25/07/2029	2,110,000	2,390	0.42
Greater Gabbard 4.137% 29/11/2032	631,896	751	0.13
Gwynt y Mor OFTO 2.778% 17/02/2034	571,284	631	0.11
Henkel 1.25% 30/09/2026	700,000	723	0.13
HSBC 2.256% 13/11/2026	2,000,000	2,064	0.36
HSBC 3% 22/07/2028	2,050,000	2,196	0.39
HSBC 2.625% 16/08/2028	2,030,000	2,156	0.38
HSBC 3% 29/05/2030	1,460,000	1,563	0.27
Hutchison Whampoa Finance UK 5.625% 24/11/2026	650,000	823	0.14
ING 3% 18/02/2026	1,900,000	2,072	0.36
Integrated Accommodation Services 6.48% 31/03/2029	496,062	617	0.11
Inter-American Development Bank 1.25% 15/12/2025	1,320,000	1,388	0.24
Inter-American Development Bank 0.5% 15/09/2026	560,000	566	0.10
International Bank for Reconstruction & Development 0.75% 15/12/2026	2,730,000	2,804	0.49
International Bank for Reconstruction & Development 0.25% 23/09/2027	2,600,000	2,581	0.45
International Bank for Reconstruction & Development 4.875% 07/12/2028	830,000	1,123	0.20
International Bank for Reconstruction & Development 1% 21/12/2029	3,240,000	3,380	0.59
International Bank for Reconstruction & Development 5.75% 07/06/2032	920,000	1,440	0.25
International Finance 0.75% 22/07/2027	770,000	789	0.14
Isle of Man Government International Bond 5.375% 14/08/2034	400,000	607	0.11
JPMorgan Chase 3.5% 18/12/2026	1,100,000	1,284	0.23
JT International Financial Services 2.75% 28/09/2033	860,000	959	0.17
Juturna European Loan Conduit No 16 5.0636% 10/08/2033	1,249,772	1,573	0.28
Kreditanstalt fuer Wiederaufbau 1.375% 15/12/2025	830,000	880	0.15
Kreditanstalt fuer Wiederaufbau 0.875% 15/09/2026	1,270,000	1,315	0.23

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
Kreditanstalt fuer Wiederaufbau 6% 07/12/2028	6,120,000	8,854	1.56
Kreditanstalt fuer Wiederaufbau 5.75% 07/06/2032	2,940,000	4,622	0.81
Land Securities Capital Markets 1.974% 08/02/2024	330,000	338	0.06
Land Securities Capital Markets 2.375% 29/03/2027	600,000	635	0.11
Land Securities Capital Markets 2.399% 08/02/2029	1,200,000	1,277	0.22
Landwirtschaftliche Rentenbank 0.875% 15/12/2026	1,260,000	1,302	0.23
LCR Finance 4.5% 07/12/2028	2,470,000	3,254	0.57
Legal & General Finance 5.875% 11/12/2031	700,000	1,015	0.18
Legal & General Finance 5.875% 05/04/2033	410,000	606	0.11
Lloyds Bank 4.875% 30/03/2027	2,520,000	3,197	0.56
Lloyds Bank 6% 08/02/2029	2,430,000	3,443	0.60
Lloyds Bank 7.5% 22/03/2032	500,000	406	0.07
Lloyds Banking 1.875% 15/01/2026	690,000	698	0.12
Logicor 2019-1 1.875% 17/11/2026	1,712,000	1,798	0.32
London & Quadrant Housing Trust 2.625% 05/05/2026	900,000	958	0.17
London & Quadrant Housing Trust 2.625% 28/02/2028	200,000	215	0.04
London & Quadrant Housing Trust 2.25% 20/07/2029	540,000	569	0.10
London & Quadrant Housing Trust 4.625% 05/12/2033	450,000	601	0.11
London Merchant Securities 6.5% 16/03/2026	348,000	439	0.08
London Power Networks 6.125% 07/06/2027	200,000	263	0.05
Longstone Finance 4.791% 19/04/2030	381,675	444	0.08
Lunar Funding I 5.75% 18/10/2033	500,000	725	0.13
LVMH Moet Hennessy Louis Vuitton 1.125% 11/02/2027	1,700,000	1,705	0.30
MassMutual Global Funding II 1.375% 15/12/2026	600,000	622	0.11
MDGH - GMTN 6.875% 14/03/2026	1,200,000	1,533	0.27
Meadowhall Finance 4.986% 12/01/2032	861,112	1,034	0.18
Meadowhall Finance 4.988% 12/01/2032	270,995	321	0.06
Metropolitan Life Global Funding I 3.5% 30/09/2026	1,400,000	1,613	0.28
Metropolitan Life Global Funding I 1.625% 21/09/2029	660,000	685	0.12
Mitchells & Butlers Finance 5.574% 15/12/2030	510,916	550	0.10
Morgan Stanley 2.625% 09/03/2027	2,070,000	2,261	0.40



# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
Motability Operations 3.75% 16/07/2026	600,000	700	0.12
Motability Operations 4.375% 08/02/2027	600,000	729	0.13
Motability Operations 1.75% 03/07/2029	650,000	689	0.12
Motability Operations 5.625% 29/11/2030	700,000	997	0.18
Motability Operations 2.375% 14/03/2032	750,000	835	0.15
National Australia Bank 3% 04/09/2026	560,000	637	0.11
National Grid Electricity Transmission 1.375% 16/09/2026	280,000	290	0.05
National Grid Electricity Transmission 4% 08/06/2027	800,000	959	0.17
National Grid Electricity Transmission 1.125% 07/07/2028	680,000	687	0.12
National Grid Electricity Transmission 2.75% 06/02/2035	610,000	710	0.12
National Grid Gas 1.375% 07/02/2031	600,000	610	0.11
Nationwide Building Society 5.625% 28/01/2026	1,400,000	1,773	0.31
Nationwide Building Society 3% 06/05/2026	580,000	647	0.11
Nationwide Building Society 3.25% 20/01/2028	1,000,000	1,158	0.20
Nats En Route 5.25% 31/03/2026	728,000	830	0.15
Nederlandse Waterschapsbank 5.375% 07/06/2032	750,000	1,131	0.20
Network Rail Infrastructure Finance 4.375% 09/12/2030	1,760,000	2,424	0.43
New York Life Global Funding 1.25% 17/12/2026	1,034,000	1,065	0.19
Northern Electric Finance 5.125% 04/05/2035	720,000	1,035	0.18
Northern Powergrid Yorkshire 4.375% 05/07/2032	800,000	1,043	0.18
Notting Hill Genesis 2.875% 31/01/2029	510,000	553	0.10
Notting Hill Genesis 3.75% 20/12/2032	750,000	890	0.16
Oesterreichische Kontrollbank 5.75% 07/12/2028	340,000	477	0.08
Pacific Quay Finance 5.565% 25/07/2034	240,121	306	0.05
Places for People Homes 3.625% 22/11/2028	500,000	561	0.10
Places for People Homes 5.875% 23/05/2031	290,000	392	0.07
Places For People Treasury 2.875% 17/08/2026	900,000	958	0.17
Procter & Gamble 1.8% 03/05/2029	1,140,000	1,245	0.22
Prologis 2.25% 30/06/2029	1,100,000	1,192	0.21
Prs Finance 1.75% 24/11/2026	1,700,000	1,821	0.32
Prs Finance 2% 23/01/2029	550,000	601	0.11

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
Prs Finance 1.5% 24/08/2034	440,000	461	0.08
Prudential 5.875% 11/05/2029	460,000	609	0.11
Quadrant Housing Finance 7.93% 10/02/2033	306,996	435	0.08
Reckitt Benckiser Treasury Services 1.75% 19/05/2032	1,059,000	1,104	0.19
Rio Tinto Finance 4% 11/12/2029	1,020,000	1,273	0.22
Santander UK 5.75% 02/03/2026	2,000,000	2,552	0.45
Santander UK 5.25% 16/02/2029	1,400,000	1,900	0.33
Santander UK 3.875% 15/10/2029	700,000	842	0.15
Scentre Group Trust 1 3.875% 16/07/2026	760,000	824	0.14
Segro 2.375% 11/10/2029	670,000	731	0.13
Segro 5.75% 20/06/2035	300,000	459	0.08
Shell International Finance 1% 10/12/2030	980,000	968	0.17
Sky 6% 21/05/2027	600,000	795	0.14
Sky 4% 26/11/2029	600,000	743	0.13
SNCF Reseau 5.25% 07/12/2028	1,380,000	1,857	0.33
SNCF Reseau 5.25% 31/01/2035	910,000	1,379	0.24
Societe Nationale SNCF 5.375% 18/03/2027	1,040,000	1,326	0.23
Sodexo 1.75% 26/06/2028	570,000	579	0.10
South Eastern Power Networks 5.5% 05/06/2026	400,000	495	0.09
South Eastern Power Networks 6.375% 12/11/2031	1,350,000	2,045	0.36
Southern Gas Networks 4.875% 21/03/2029	800,000	1,037	0.18
Southern Water Services Finance 6.192% 31/03/2029	780,000	1,070	0.19
Spain Government International Bond 5.25% 06/04/2029	350,000	454	0.08
Telereal Securitisation 4.9741% 10/09/2027	27,875	31	0.01
Telereal Securitisation 5.5534% 10/12/2031	277,604	335	0.06
Telereal Securitisation 5.9478% 10/12/2031	1,041,015	1,269	0.22
Tennessee Valley Authority 5.625% 07/06/2032	400,000	599	0.11
Total Capital International 1.66% 22/07/2026	1,100,000	1,160	0.20
Total Capital International 1.405% 03/09/2031	700,000	723	0.13
Trafford Centre Finance 6.5% 28/07/2033	513,103	656	0.12
Transport for London 4% 12/09/2033	1,060,000	1,406	0.25

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
Transport for London 5% 31/03/2035	350,000	479	0.08
Unilever 1.5% 22/07/2026	860,000	910	0.16
Unilever 1.875% 15/09/2029	700,000	766	0.13
United Utilities Water 5.625% 20/12/2027	500,000	664	0.12
United Utilities Water Finance 2.625% 12/02/2031	1,700,000	1,942	0.34
United Utilities Water Finance 2% 03/07/2033	238,000	258	0.05
Vicinity Centres Trust 3.375% 07/04/2026	670,000	705	0.12
Vinci 2.25% 15/03/2027	900,000	967	0.17
Vinci 2.75% 15/09/2034	700,000	801	0.14
Wales & West Utilities Finance 5% 07/03/2028	200,000	254	0.04
Wales & West Utilities Finance 5.75% 29/03/2030	710,000	991	0.17
Walmart 5.75% 19/12/2030	990,000	1,459	0.26
Walmart 5.625% 27/03/2034	1,960,000	3,055	0.54
Walmart 5.25% 28/09/2035	1,640,000	2,565	0.45
Wells Fargo 2.5% 02/05/2029	1,100,000	1,177	0.21
Wells Fargo 3.5% 12/09/2029	1,060,000	1,223	0.21
Wells Fargo 2.125% 24/09/2031	1,180,000	1,227	0.22
Westfield America Management 2.625% 30/03/2029	1,010,000	1,022	0.18
Westfield Stratford City Finance NO 2 1.642% 04/08/2026	1,530,000	1,542	0.27
White City Property Finance 5.1202% 17/04/2035	632,288	820	0.14
Wods Transmission 3.446% 24/08/2034	434,198	500	0.09
Yorkshire Building Society 3.5% 21/04/2026	900,000	1,006	0.18

# Portfolio statement

As at 1 October 2020

Security	Holdings	Market Value £'000	% of Net Assets
<b>DERIVATIVES (0.00%*)</b>			
<b>Futures</b>			
10-Year Long Gilt Futures December 2020	20	-	-
<b>Portfolio of investments</b>		<b>561,803</b>	<b>98.72</b>
<b>Net other assets (1.21%*)</b>		<b>7,311</b>	<b>1.28</b>
<b>Net assets</b>		<b>569,114</b>	<b>100.00</b>

\*Comparative figures shown in brackets relate to percentage of total net assets at 1 October 2019.

† These securities are currently being used in stock lending arrangements.

^ A related party of Virgin Money Unit Trust Managers Limited.

## Credit Ratings of Investments

	Market Value £'000	% of Net Assets
AAA	84,215	14.76
AA+ to AA-	336,566	59.16
A+ to A-	141,022	24.80
	<b>561,803</b>	<b>98.72</b>

## Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and the identity of counterparties as at 1 October 2020 was as follows:

Counterparty	Value of Exposure £'000
Merrill Lynch	-

# Top purchases and sales of investments

For the year ended 1 October 2020

Purchases	Cost £'000
10-Year Long Gilt Futures September 2020	29,569
UK Treasury 0.875% 22/10/2029†	25,795
10-Year Long Gilt Futures June 2020	24,826
UK Treasury 0.375% 22/10/2030	21,201
UK Treasury 0.625% 07/06/2025	17,669
UK Treasury 4.75% 07/12/2030†	17,334
UK Treasury 1.5% 22/07/2026†	16,889
UK Treasury 1.25% 22/07/2027†	14,313
UK Treasury 4.25% 07/06/2032†	13,960
10-Year Long Gilt Futures March 2020	13,614
UK Treasury 0.125% 30/01/2026	13,443
UK Treasury 1.625% 22/10/2028†	13,366
UK Treasury 4.5% 07/09/2034	13,279
UK Treasury 0.125% 31/01/2028	12,812
UK Treasury 2% 07/09/2025	12,491
10-Year Long Gilt Futures December 2020	9,776
UK Treasury 4.25% 07/12/2027	9,321
10-Year Long Gilt Futures December 2019	8,028
UK Treasury 6% 07/12/2028	6,394
UK Treasury 0.625% 31/07/2035	4,863
<b>Other purchases</b>	<b>81,606</b>
<b>Total for the year</b>	<b>380,549</b>

† These securities are currently being used in stock lending arrangements.

Top purchases and are those that constitute the largest twenty of the total purchases for the year.

# Top purchases and sales of investments

For the year ended 1 October 2020

Sales	Proceeds £'000
UK Treasury 2% 07/09/2025	33,740
UK Treasury 5% 07/03/2025	31,510
10-Year Long Gilt Futures September 2020	29,497
10-Year Long Gilt Futures June 2020	24,943
UK Treasury 0.625% 07/06/2025	24,460
UK Treasury 4.25% 07/06/2032†	16,864
UK Treasury 4.75% 07/12/2030†	16,254
UK Treasury 4.5% 07/09/2034	15,982
10-Year Long Gilt Futures March 2020	13,727
UK Treasury 4.25% 07/12/2027	13,129
UK Treasury 1.5% 22/07/2026†	10,632
UK Treasury 1.625% 22/10/2028†	10,378
UK Treasury 6% 07/12/2028	9,188
UK Treasury 1.25% 22/07/2027†	8,987
UK Treasury 0.875% 22/10/2029†	8,960
10-Year Long Gilt Futures December 2019	8,240
10-Year Long Gilt Futures December 2020	7,046
European Investment Bank 5.5% 15/04/2025	4,405
Lloyds Bank 5.125% 07/03/2026	2,628
HSBC Bank 5.375% 04/11/2030	2,545
<b>Other sales</b>	<b>66,590</b>
<b>Total for the year</b>	<b>359,705</b>

† These securities are currently being used in stock lending arrangements.

Top sales are those that constitute the largest twenty of the total sales for the year.

# Securities Financing Transactions (SFTs)

For the year ended 1 October 2020

The Securities Financing Transactions Regulation was introduced to provide greater transparency to unitholders regarding a fund's dealings in stock lending and total return swap transactions. The Regulation sets out additional information that Managers who engage in SFTs must disclose. The Fund undertakes stock lending transactions but does not employ total return swaps.

The Manager is permitted to generate additional income for the benefit of the Fund, and for unitholders, by entering into stock lending transactions, only where there is an acceptable degree of risk. Income is earned from a stock lending programme administered on the Fund's behalf by State Street Bank and Trust (SSBT), which lends a proportion of assets from the Fund to third parties who pay a fee to take those assets on loan for a period. In return for the loan, the third party also provides collateral of at least 100% of the value of the assets on loan, which is assessed and adjusted on a daily basis by SSBT. At the end of the loan period, the third party borrower returns the assets on loan. The Manager does not make a profit from these transactions.

The information provided below is as at 1 October 2020, unless stated otherwise.

## Global data

Proportion of securities on loan	£'000	%
Total lendable assets excluding cash and cash equivalents	557,291	
Securities on loan	108,227	19.42

Assets engaged in SFTs	£'000	%
Fund assets under management	569,114	
Absolute value of assets engaged in securities lending	108,227	19.02

## Concentration data

(a) Top 10 issuers of collateral provided to the Fund by value received	£'000
Government of United Kingdom	111,104

(b) Top 10 counterparties by name and value of outstanding transactions	£'000
JP Morgan Securities	61,709
Citigroup Global Markets (UK)	46,112
NatWest Markets	406

# Securities Financing Transactions (SFTs)

For the year ended 1 October 2020

## Aggregate transaction data

### Type, quality and currency of collateral received

Type	Quality	Currency	£'000
Fixed Income	Investment Grade	Sterling	111,104

### Maturity tenor of collateral received (remaining period to maturity)

Type	Less than one day £'000	One day to one week £'000	One week to one month £'000	One to three months £'000	Three months to one year £'000	Above one year £'000	Open maturity £'000	Total £'000
Securities lending	-	-	-	-	-	111,104	-	111,104

### Counterparty details

Type	Countries of counterparty establishment	Settlement and clearing	£'000
Securities lending	United Kingdom	Tri-party	111,104

### Maturity tenor of SFTs (remaining period to maturity)

Type	Less than one day £'000	One day to one week £'000	One week to one month £'000	One to three months £'000	Three months to one year £'000	Above one year £'000	Open maturity £'000	Total £'000
Securities lending	-	-	-	-	-	-	108,227	108,227

## Re-use of collateral

The Fund does not engage in re-use of collateral.



# Securities Financing Transactions (SFTs)

For the year ended 1 October 2020

## Safekeeping of collateral received

Names of custodians safekeeping collateral and value held	£'000
Crest	111,104
Number of custodians safekeeping collateral	1

## Safekeeping of collateral granted

The Fund does not borrow stock from counterparties: therefore, no collateral has been granted.

## Return and cost for the year ended 1 October 2020

	Collective investment undertaking	Manager of collective investment undertaking	Third parties (e.g. lending agent)	Total
Gross return (£'000)	65	-	44	109
Proportion of gross return (%)	60	-	40	100

# Statement of total return

For the year ended 1 October 2020

			1 Oct 20	1 Oct 19
	Notes	£'000	£'000	£'000
Income				
Net capital gains	2		6,242	40,174
Revenue	4	8,828		10,049
Expenses	5	(3,339)		(3,772)
Net revenue before taxation		5,489		6,277
Taxation	6	-		-
Net revenue after taxation			5,489	6,277
<b>Total return before distributions</b>			<b>11,731</b>	<b>46,451</b>
Distributions	7		(5,489)	(6,277)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>6,242</b>	<b>40,174</b>

# Statement of change in net assets attributable to unitholders

For the year ended 1 October 2020

	1 Oct 20	1 Oct 19
	£'000	£'000
<b>Opening net assets attributable to unitholders</b>	<b>551,396</b>	<b>502,996</b>
Amounts receivable on issue of units	54,355	45,908
Amounts payable on cancellation of units	(42,879)	(37,682)
	11,476	8,226
Change in net assets attributable to unitholders from investment activities	6,242	40,174
<b>Closing net assets attributable to unitholders</b>	<b>569,114</b>	<b>551,396</b>

Notes to the financial statements are on pages 29 to 40.

# Balance sheet

As at 1 October 2020

			1 Oct 20		1 Oct 19
	Notes	£'000	£'000	£'000	£'000
<b>Assets</b>					
<b>Fixed assets</b>					
Investments			561,803		544,710
<b>Current assets</b>					
Debtors	8	11,933		6,527	
Cash and bank balances	9	5,371		4,172	
<b>Total current assets</b>			<b>17,304</b>		<b>10,699</b>
<b>Total assets</b>			<b>579,107</b>		<b>555,409</b>
<b>Liabilities</b>					
<b>Creditors</b>					
Distribution payable	7	(2,394)		(3,410)	
Other creditors	10	(7,599)		(603)	
			(9,993)		(4,013)
<b>Total liabilities</b>			<b>(9,993)</b>		<b>(4,013)</b>
<b>Net assets attributable to unitholders</b>			<b>569,114</b>		<b>551,396</b>

Notes to the financial statements are on pages 29 to 40.

# Notes to the financial statements

For the year ended 1 October 2020

## 1. Accounting policies

### (a) Basis of accounting

The Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments, and in accordance with the United Kingdom Generally Accepted Accounting Practice as defined within Financial Reporting Standard (FRS) 102 and the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Management Association (now known as the Investment Association) in May 2014.

The Manager has considered the impact of the emergence and spread of COVID-19 and potential implications on future operations of the Trust of reasonably plausible downside scenarios. The Manager has undertaken a detailed assessment of, and continues to monitor, the Trust's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Trust continues to be open for trading and the Manager is satisfied the Trust has adequate financial resources to continue in operation and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

### (b) Revenue recognition

Revenue from debt securities is accounted for on an effective interest rate basis.

If any revenue receivable at the balance sheet date is not expected to be received for a significant period after the accounting year end, a provision reflecting the timing of the receipt for the relevant amount will be made.

### (c) Treatment of expenses

All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

### (d) Distribution policy

The distribution policy of the Fund is to distribute all available revenue, after deduction of expenses as an interest distribution.

Gains and losses on investments and currencies, whether realised or unrealised, are taken as capital and are not available for distribution.

### (e) Equalisation

Equalisation applies only to Group 2 units, being units that were purchased during the distribution periods (as detailed on page 41). It is the average amount of revenue included in the purchase price of all Group 2 units and is refundable to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

### (f) Basis of valuation of investments

The valuation point was at 5pm on 1 October 2020, which was the last working day of the accounting year.

All purchases and sales are accounted for on the trade date.

Listed investments are valued at bid market value.

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

### (g) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting year.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

### (h) Taxation

The charge for taxation is based on the results for the year.

Deferred tax is provided on all timing differences (other than those recorded as permanent differences) that have originated but not reversed at the balance sheet date at the average rate of tax expected to apply. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

### (i) Stock lending

The Fund may enter into stock lending agreements in line with the Collective Investment Schemes Sourcebook (COLL) rules and the Fund prospectus if the contract is for the benefit of the Fund and the unitholders.

Net revenues earned from stock lending activities are disclosed in the Revenue note.

# Notes to the financial statements

For the year ended 1 October 2020

## 1. Accounting policies (continued)

### (j) Efficient portfolio management

Where appropriate, certain permitted transactions, such as derivatives or forward foreign exchange transactions can be used for efficient portfolio management. Where such transactions are used to protect or enhance income, the income and expenses derived there from are included in 'Revenue' or 'Expenses' in the Statement of total return. Where such transactions are used to protect or enhance capital, the gains and losses derived there from are included in 'Net capital gains' in the Statement of total return. Any positions on such transactions open at the year end are reflected in the Balance sheet at their market to market value.

# Notes to the financial statements

For the year ended 1 October 2020

## 2. Net Capital Gains

The net capital gains during the year comprise:

	1 Oct 20	1 Oct 19
	£'000	£'000
Non-derivative securities	6,151	40,282
Futures contracts	91	(108)
<b>Net capital gains</b>	<b>6,242</b>	<b>40,174</b>

## 3. Portfolio Transaction Costs

Analysis of total trade costs:

	Purchases		Sales	
	1 Oct 20	1 Oct 19	1 Oct 20	1 Oct 19
	£'000	£'000	£'000	£'000
Bonds	294,736	158,579	276,252	146,183
Derivatives	-	-	-	-
<b>Trades in the year before transaction costs</b>	<b>294,736</b>	<b>158,579</b>	<b>276,252</b>	<b>146,183</b>
<b>Commissions</b>				
Bonds	-	-	-	-
Derivatives	-	-	-	-
<b>Total Commissions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxes</b>				
Bonds	-	-	-	-
Derivatives	-	-	-	-
<b>Total Taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net trades in the year after transaction costs</b>	<b>294,736</b>	<b>158,579</b>	<b>276,252</b>	<b>146,183</b>

Transaction costs for Gilts and Corporate Bonds cannot be separately identified as they form part of the dealing spread. The dealing spread represents the difference between the values determined for investments by reference to the bid and offer prices, expressed as a percentage of the value determined by reference to the offer price. The average dealing spread of the investments at the balance sheet date was 0.33% (2019: 0.27%).

# Notes to the financial statements

For the year ended 1 October 2020

## 4. Revenue

	1 Oct 20	1 Oct 19
	£'000	£'000
Interest on debt securities	8,777	9,999
Stock lending income	50	49
Bank interest	1	1
<b>Total revenue</b>	<b>8,828</b>	<b>10,049</b>

## 5. Expenses

	1 Oct 20	1 Oct 19
	£'000	£'000
<b>Payable to the Manager, associates of the Manager, and agents of either of them:</b>		
Manager's service charge	3,339	3,772
<b>Total expenses</b>	<b>3,339</b>	<b>3,772</b>

During the year, and the comparative period, the Manager has borne the auditor's fee of £14,100 (2019: £13,868) and all the fees charged by the Trustee, Financial Conduct Authority and the Registrar, including irrecoverable VAT where applicable.

## 6. Taxation

### (a) Analysis of the tax charge in the year:

	1 Oct 20	1 Oct 19
	£'000	£'000
<b>Total taxation</b>	<b>-</b>	<b>-</b>



# Notes to the financial statements

For the year ended 1 October 2020

## (b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised unit trust which is 20% (2019: 20%).

The differences are explained below:

	1 Oct 20	1 Oct 19
	£'000	£'000
Net revenue before taxation	5,489	6,277
Corporation tax of 20% (2019: 20%)	1,098	1,255
<b>Effects of:</b>		
Tax deductible interest distributions	(1,098)	(1,255)
<b>Total current tax (note 6(a))</b>	-	-

## (c) Deferred tax:

There is no provision required for deferred taxation at 1 October 2020 (2019: £nil).

## 7. Distributions

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

	1 Oct 20	1 Oct 19
	£'000	£'000
Interim	3,102	2,910
Final	2,394	3,410
	<b>5,496</b>	<b>6,320</b>
Add: Equalisation deducted on cancellation of units	126	106
Less: Equalisation received on issue of units	(133)	(149)
<b>Net distribution for the year</b>	<b>5,489</b>	<b>6,277</b>

Details of the distributions per unit are set out in the Distribution tables on page 41.

# Notes to the financial statements

For the year ended 1 October 2020

## 8. Debtors

	1 Oct 20	1 Oct 19
	£'000	£'000
Accrued revenue	5,272	5,667
Sales awaiting settlement	6,661	860
<b>Total debtors</b>	<b>11,933</b>	<b>6,527</b>

## 9. Cash and bank balances

	1 Oct 20	1 Oct 19
	£'000	£'000
Cash and bank balances	5,354	4,168
Amounts held at futures clearing houses and brokers	17	4
<b>Total cash and bank balances</b>	<b>5,371</b>	<b>4,172</b>

## 10. Other creditors

	1 Oct 20	1 Oct 19
	£'000	£'000
Accrued expenses	580	281
Amounts payable on cancellation of units	64	322
Purchases awaiting settlement	6,955	-
<b>Total creditors</b>	<b>7,599</b>	<b>603</b>

## 11. Related party transactions

Management fees paid to Virgin Money Unit Trust Managers Limited are detailed in note 5 and details of units issued and cancelled by Virgin Money Unit Trust Managers Limited are shown in the Statement of change in net assets attributable to unitholders. The balance due to Virgin Money Unit Trust Managers Limited at the year end in respect of these transactions was £580,381 (2019: £280,191).

Revenue received from CYBG plc related investments during the year was £62,438 (2019: £78,625).

## 12. Capital commitments and contingent liabilities

On 1 October 2020, the Fund had no capital commitments (2019: £nil) and no contingent liabilities (2019: £nil).

# Notes to the financial statements

For the year ended 1 October 2020

## 13. Securities on loan

The aggregate value of securities on loan at 1 October 2020 was £108,226,713 (2019: £104,858,947). Securities on loan are included in the Portfolio statement and no account is taken of any collateral held. The aggregate value of collateral held at 1 October 2020 is £111,104,448 (2019: £107,555,500), of which £0 (2019: £0) is in equities and £111,104,448 (2019: £107,555,500) is in bonds.

Counterparty	1 Oct 20		1 Oct 19	
	Value of stock loan	Collateral held	Value of stock loan	Collateral held
	£'000	£'000	£'000	£'000
Citigroup Global Markets	46,112	47,341	25,984	26,671
JP Morgan Securities	61,709	63,347	26,343	27,006
Merrill Lynch	-	-	18,033	18,487
Natwest Markets	406	416	34,499	35,391
<b>Total</b>	<b>108,227</b>	<b>111,104</b>	<b>104,859</b>	<b>107,555</b>

The gross stock lending revenues and fees for the year are detailed in the Securities Financing Transactions (SFTs) section.

## 14. Financial risk management, derivatives and other financial instruments

The risks inherent in the Fund's investment portfolio are as follows:

### (a) Financial Risk Management

Financial risk can be separated into the following components: market risk, credit risk and liquidity risk. The table below and overleaf is provided to enable users of these financial statements to assess and understand the risks that arise in connection with the financial instruments held by the Fund and how those risks are managed.

Risks are set out in order of significance.

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
<b>1) Market risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: other price risk, interest rate risk, and currency risk.	See below.	See below.	See below.

# Notes to the financial statements

For the year ended 1 October 2020

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
<b>1a) Other price risk</b>	This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to individual financial instruments or its issuer, or other factors affecting similar financial instruments traded in the market.	Other price risk arises from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements.	The investment approach for the corporate bond side of the Fund is to only invest in A grade Corporate Bonds. The Investment Adviser regularly carries out a review of the portfolio and replaces any bonds which have dropped below the A grade requirement. The Manager carries out a separate regular review of the portfolio holdings to ensure they are in line with this approach and that all relevant regulations are being met.	See 14(b). Credit Ratings are disclosed on page 20.
<b>1b) Interest rate risk</b>	The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.	As the Fund invests in fixed rate securities, any change to the prevailing interest rates may result in the future income potential of the Fund increasing or decreasing and the value of securities already held increasing or decreasing. If expectations of future interest rates rise, the potential income yield on new securities purchased will rise. However, such a change would initially have a negative impact, as the value of fixed rate securities already held by the Fund would decline. A decline in interest rates (or expectations of future rates) will, in general, have the opposite potential income and valuation effects to those described above.	The Manager of the Fund sets limits for interest rate risk. The Investment Advisor monitors this risk continuously, using a measure called modified duration, to ensure that the risk remains within the limits prescribed.	See 14(d).

# Notes to the financial statements

For the year ended 1 October 2020

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
<b>1c) Currency risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	The vast majority of the net assets of the Fund are denominated in sterling, with the effect that the balance sheet and total return cannot be materially affected by currency movements. Given this, the Manager does not consider the Fund has a significant exposure to currency risk.	As the Manager does not consider the Fund has significant exposure to currency risk, no formal mitigation techniques are adopted by the Investment Adviser or the Manager.	See 14(c).
<b>2) Credit risk</b>	This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.	Certain transactions in securities the Fund enters into expose it to the risk that the counterparty will not deliver the investments for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. Given the mitigation techniques followed, the Manager does not consider the Fund has a significant exposure to counterparty risk.	The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time, and changes in brokers' financial ratings are reviewed. The Fund's assets including cash are held on trust for the benefit of unitholders by the Trustee. The financial position of the Trustee is itself monitored on a regular basis by the Manager.	Not applicable.
<b>3) Liquidity risk</b>	The risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, including redemption liability.	All of the Fund's financial assets are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded. Given this, the Manager does not consider that the Fund has a significant exposure to liquidity risk.	In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.	Not applicable.

## (b) Other price risk and fair value of financial assets and liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance sheet.

## (c) Currency exposures

The income and capital value of the Fund's investments are mainly denominated in sterling, the Fund's functional currency. The market prices of a number of the Fund's sterling-denominated investments are influenced by underlying currency movements. This is consistent with the exposure during both the current and prior year. However, the influence of currency movements on sterling-denominated investments is not separately quantified.

# Notes to the financial statements

For the year ended 1 October 2020

## (d) Interest rate risk profile and sensitivity analysis

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital, with the exception of index linked bonds which are protected against the effect of inflation.

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A 1% (absolute basis) increase in the base interest rates would have the effect of decreasing the return and net assets by £5,671,744 (2019: £5,488,817). A 1% decrease would have an equal and opposite effect.

The interest rate profile of the Fund's financial assets and liabilities at the year end are set out in the tables below:

### 1 Oct 20

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency	£'000	£'000	£'000	£'000
Sterling	5,371	555,689	8,054	569,114
<b>Total</b>	<b>5,371</b>	<b>555,689</b>	<b>8,054</b>	<b>569,114</b>

### 1 Oct 19

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency	£'000	£'000	£'000	£'000
Sterling	4,172	544,708	2,516	551,396
<b>Total</b>	<b>4,172</b>	<b>544,708</b>	<b>2,516</b>	<b>551,396</b>

### 1 Oct 20

	Fixed rate financial assets weighted average interest rate	Fixed rate financial assets weighted average period for which rate is fixed
Category of fixed rate assets	%	(years)
Gilts	2.77	9.09
Eurosterling-Corporate	3.95	8.97

# Notes to the financial statements

For the year ended 1 October 2020

1 Oct 19

Category of fixed rate assets	Fixed rate financial assets weighted average interest rate	Fixed rate financial assets weighted average period for which rate is fixed
	%	(years)
Gilts	3.62	8.92
Eurosterling-Corporate	4.28	9.13

The Fund's floating rate investments earn interest which is variable, by reference to the rate of inflation as measured by the Retail Price Index.

## (e) Derivatives and other financial instruments

The Fund may enter into derivative transactions in the form of investment in future contracts, forward currency contracts, options and swaps. The purpose of these financial instruments is efficient portfolio management. In particular, stock index futures may be used both to implement the investment policy in a timely manner and to manage market price risk arising from the time lag between funds being receivable or payable by the Fund and investment or disinvestment in underlying securities.

In accordance with requirements set out in the COLL:

- transactions must be in derivatives which comply with Financial Conduct Authority (FCA) rules on approved or OTC derivatives;
- the underlying basis of the transaction must consist of financial derivatives instruments to which the Trust is dedicated (e.g. transferable securities);
- transactions in approved derivatives must be effected on or under the rules of an eligible derivatives market;
- transactions in derivatives must not cause the Fund to divert from its investment objectives;
- transactions in derivatives must not create the potential for an uncovered sale; and
- any forward transactions must be made with an eligible institution or an approved bank.

## (f) Leverage

The Fund did not employ significant leverage during the year.

## 15. Efficient portfolio management

The Fund may employ investment techniques and use financial derivative instruments (such as futures contracts, forward foreign currency contracts, options and swaps) for efficient portfolio management of the assets of the Fund, including hedging against market movements, currency exchange or interest rate risks, subject to the conditions and within the limits stipulated under the COLL sourcebook and the Prospectus.

The efficient portfolio management purposes for which the Fund intends to employ financial derivative instruments and such investment techniques are the reduction of risk, the reduction of cost and the generation of additional income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund and the risk diversification rules under the COLL sourcebook. Any such investment technique or use of financial derivative instruments must be one which is reasonably believed by the Manager to be economically appropriate in that it is realised in a cost-effective way.

UCITS Funds are required to disclose the revenues arising from efficient portfolio management techniques for the entire reporting period together with the direct and indirect operational costs and fees incurred.

The gains and losses, including costs incurred for futures contracts held for efficient portfolio management purposes during the year ended 1 October 2020, are disclosed in Note 2, Net capital gains.

### Collateral

Cash collateral is disclosed under Amounts held at futures clearing houses and brokers in Note 9.

# Notes to the financial statements

For the year ended 1 October 2020

## 16. Reconciliation of the unit movements in the year

		1 Oct 20
	Income Units	AE Income Units
Opening units in issue on 2 Oct 19	400,363,371	5,971,841
Creations during the year	39,456,026	779,008
Cancellations during the year	(29,902,052)	(2,108,449)
<b>Closing units in issue on 1 Oct 20</b>	<b>409,917,345</b>	<b>4,642,400</b>

## 17. Fair value hierarchy

	1 Oct 20		1 Oct 19	
	Assets	Liabilities	Assets	Liabilities
Valuation technique - Investments	£'000	£'000	£'000	£'000
Level 1	284,654	-	275,227	-
Level 2	277,149	-	269,483	-
Level 3	-	-	-	-
	<b>561,803</b>	<b>-</b>	<b>544,710</b>	<b>-</b>

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

## 18. Subsequent event

Investments in financial markets are affected by many factors, many of which have shifted following the outbreak of coronavirus, officially known as COVID-19. The Fund invests in a portfolio of assets, whose values have been volatile since the year end, primarily on concerns about how COVID-19 will affect the economy and economic growth around the world. Global growth is likely to be slower as efforts to contain the virus are implemented.

The spread and impact of COVID-19 is considered as a non-adjusting event after the reporting period. As at the close of business on the balance sheet date the Net Asset Value of the lead share class 'Income Units' was 137.60p. The Net Asset Value of the lead share class 'Income Units' as at close of business on 9 December 2020 was 138.80p. This represents a modest increase of 0.87% from the year end value. However, the uncertainty caused by the emergence and spread of COVID-19 means that the impact in the longer term is unknown.



# Distribution tables

For the year ended 1 October 2020

## Distribution in pence per unit

### Interim distribution paid 1 June 2020

Group 1	Units purchased prior to 2 October 2019
Group 2	Units purchased from 2 October 2019 to 1 April 2020 inclusive

	Revenue (p)	Equalisation (p)	Distribution paid 1 Jun 20 (p)	Distribution paid 31 May 19 (p)
<b>Income units</b>				
Group 1	0.7622	-	0.7622	0.7242
Group 2	0.3376	0.4246	0.7622	0.7242

### AE Income units

Group 1	0.6073	-	0.6073	0.6573
Group 2	0.2158	0.3915	0.6073	0.6573

### Final distribution payable 1 December 2020

Group 1	Units purchased prior to 2 April 2020
Group 2	Units purchased from 2 April 2020 to 1 October 2020 inclusive

	Revenue (p)	Equalisation (p)	Distribution payable 1 Dec 20 (p)	Distribution paid 29 Nov 19 (p)
<b>Income units</b>				
Group 1	0.5789	-	0.5789	0.8419
Group 2	0.2890	0.2899	0.5789	0.8419

### AE Income units

Group 1	0.4599	-	0.4599	0.6652
Group 2	0.2059	0.2540	0.4599	0.6652

## Equalisation

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

# Statement of the Manager's responsibilities

For the year ended 1 October 2020

The Collective Investment Schemes Sourcebook published by the FCA, ('the COLL Rules') require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund and of the net income and net gains or losses on the property of the Fund for the period.

In preparing the financial statements the Manager is responsible for:

- > selecting suitable accounting policies and then apply them consistently;
- > making judgements and estimates that are reasonable and prudent;
- > following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- > complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- > keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- > assessing the Fund and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- > using the going concern basis of accounting unless they either intend to liquidate the Fund or its sub-funds or to cease operations, or have no realistic alternative but to do so;
- > managing such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- > taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Fund in accordance with the Trust Deed, Prospectus and the Regulations.

The Final Report and Financial Statements were approved by the Manager and signed on its behalf by:



**Lan Tu**  
Director  
15 December 2020



**Hugh Chater**  
Director  
15 December 2020

# Independent auditors' report to the unitholders of the Virgin Money Bond and Gilt Fund (the 'Trust')

For the year ended 1 October 2020

## Opinion

We have audited the financial statements of the Trust for the year ended 1 October 2020 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables and the accounting policies set out on pages 29 and 30.

In our opinion the financial statements:

- > give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Trust as at 1 October 2020 and of the net revenue and the net capital gains on the property of the Trust for the year then ended; and
- > have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going Concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Trust or to cease their operations, and as they have concluded that the Trust's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Manager's conclusions, we considered the inherent risks to the Trust's business model, and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

## Other Information

The Manager (Virgin Money Unit Trust Managers Limited) is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- > we have not identified material misstatements in the other information; and
- > in our opinion the information given in the Manager's Report for the financial year is consistent with the financial statements.

## Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

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

# Independent auditors' report to the unitholders of the Virgin Money Bond and Gilt Fund (the 'Trust')

For the year ended 1 October 2020

## Manager's Responsibilities

As explained more fully in their statement set out on page 42, the Manager is responsible for: the preparation of financial statements that give a true and fair view; 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; assessing the Trust'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 they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Archer

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

St Vincent Plaza

319 St Vincent Street

Glasgow

G2 5AS

15 December 2020

# Manager's remuneration

For the year ended 1 October 2020

In accordance with the UCITS Directive, Virgin Money Unit Trust Managers Limited, as the Manager, is required to establish and apply a remuneration policy for certain categories of staff whose activities have a material impact on the risk profile of the Manager or the UCITS funds that it manages ("Code Staff"). All staff involved in the management of the Trust are employed by the Virgin Money Group or by Standard Life Aberdeen PLC. The Manager therefore applies the remuneration policies, practices and procedures of the Virgin Money group of companies (Virgin Money Group) and Standard Life Aberdeen PLC, as applicable, and these are reviewed annually.

## The Remuneration Policies:

- (i) are consistent with and promote sound and effective risk management;
- (ii) do not encourage risk taking that exceeds the level of tolerated risk of the Manager or that is inconsistent with the risk profile of the funds the Manager manages; and
- (iii) encourage behaviour that delivers results which are aligned to the interests of the UCITS funds managed by the Manager.

Remuneration for all Code Staff is reviewed by the parent companies of VMUTM, which are represented on the VMUTM Board, through the Virgin Money Group Remuneration Committee and the Standard Life Aberdeen Remuneration Committee. The Remuneration Committees ensure that remuneration is linked to the performance of the Virgin Money Group, Standard Life Aberdeen PLC and VMUTM itself, including taking into account material current and future risks.

## Employee Remuneration Disclosure

The table below provides an overview of the following:

Aggregate total remuneration paid by VMUTM to its Code Staff – in other words those individuals who could have a material impact on the risk profile of VMUTM or the UCITS funds it manages, including the Virgin Money Bond and Gilt Fund.

This broadly includes senior management, decision makers and control functions. VMUTM has no employees. For the purpose of this disclosure, Code Staff includes individuals employed by the Virgin Money Group or Standard Life Aberdeen PLC who are seconded full-time to VMUTM. It may also include employees of entities to which investment advice has been delegated.

The Virgin Money Group has a performance period running from 1 October to 30 September each year. Standard Life Aberdeen PLC has a performance period running from 1 January to 31 December each year. Given the different accounting periods for the entities and funds concerned, amounts shown below reflect payments made from 1 January 2019 to 31 December 2019 inclusive.

Virgin Money Bond and Gilt Fund Reporting period: 2/10/19-1/10/20	Headcount	Total Remuneration £'000 <sup>1</sup>	Proportion relevant to Virgin Money Bond and Gilt Fund £'000 <sup>2</sup>
VMUTM Code staff <sup>3</sup>	16		
Total remuneration		1,075	158
of which			
Fixed remuneration		793	116
Variable remuneration		282	42

<sup>1</sup> These figures represent the total remuneration paid by VMUTM to Code Staff as defined in note 3

<sup>2</sup> These figures represent the proportion of the amounts in the previous column, based on the average assets under management of the Virgin Money Bond and Gilt Fund in 2019 compared to the average total assets under management in 2019 of all funds of which VMUTM is the manager

<sup>3</sup> Code Staff comprises:

- i) Directors of VMUTM, including the Chair (fees invoiced directly to VMUTM), non-executive directors appointed by the parent companies of VMUTM which are Virgin Money Group and Standard Life Aberdeen PLC (these directors are not remunerated for carrying out this role, which is an immaterial part of the work they do for Virgin Money Group or Standard Life Aberdeen PLC), and the Chief Executive Officer of VMUTM (seconded from Standard Life Aberdeen PLC)
- ii) Other members of the VMUTM Executive Committee, which includes individuals with significant influence functions (all seconded from Virgin Money Group or Standard Life Aberdeen PLC)

# Statement of the Trustee's responsibilities

**in respect of the Scheme and Report of the Trustee to the Unitholders of the Virgin Money Bond and Gilt Fund ("the Trust")**

For the year ended 1 October 2020

The Trustee is responsible for the safekeeping of all property of the Trust which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('the Sourcebook'), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

**Citibank Europe plc,  
UK Branch London  
15 December 2020**

**Virgin Money Unit Trust Managers Limited**

Authorised and regulated by the Financial Conduct Authority

Registered office: Jubilee House  
Gosforth, Newcastle upon Tyne NE3 4PL

Registered in England no. 3000482