

Smith & Williamson Fixed Interest Fund

Interim Report

for the six months ended 31 October 2019

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## Smith & Williamson Fixed Interest Fund

### Report of the Manager

Smith & Williamson Fund Administration Limited, as Manager, presents herewith the Interim Report for Smith & Williamson Fixed Interest Fund for the six months ended 31 October 2019.

Smith & Williamson Fixed Interest Fund ('the Trust' or 'the Fund') is an authorised unit trust scheme further to an authorisation order dated 2 May 1995 and is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ('COLL'), as published by the Financial Conduct Authority ('FCA').

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Fund consist predominantly of securities which are readily realisable and, accordingly, the Fund has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. As Manager we have applied appropriate accounting policies consistently, supported by reasonable and prudent judgements and estimates. However, as Manager we are unable to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

The base currency of the Fund is UK sterling.

The Trust Deed can be inspected at the offices of the Manager.

Copies of the Prospectus and Key Investor Information Document ('KIID') are available on request free of charge from the Manager.

#### Investment objective and policy

The objective of the Fund is to achieve a high income through investing primarily in bonds. The Manager may invest in transferable securities, including warrants, in UK and other exchanges as well as collective investment schemes, money market instruments, deposits and cash and near cash.

The Manager's policy in order to achieve the Fund's objective will be to invest primarily in corporate bonds, other fixed interest securities (including gilts and permanent interest bearing securities ('PIBs')) without geographic restriction and preference shares in UK and European Community companies. The Manager may also apply for new issues.

The Manager may, from time to time, invest more than 35% of the property of the Fund in Government and other public securities (as defined within paragraph 13 of Part II of Schedule 2 of the Financial Services and Markets Act 2000) issued by one issuer.

The Manager's investment policy may mean that at times it may be appropriate for the Fund not to be fully invested but to hold cash or near cash. In the light of extreme market conditions, the Manager may raise or reduce the liquidity of the Fund from normal working levels.

The Manager may hedge transactions against price or currency fluctuations by back-to-back foreign currency borrowings against sterling or by suitable transactions permitted for hedging. The extent will depend upon the circumstances and the objective will normally be to reduce the currency risk to a sterling based unitholder. The Manager does not envisage that they will enter into hedging transactions to a major extent.

#### Changes affecting the Fund in the period

There were no fundamental or significant changes to the Fund in the period.

Further information in relation to the Fund is illustrated on page 16.

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the Interim Report on behalf of the Manager, Smith & Williamson Fund Administration Limited.

B. McLean

Directors

Smith & Williamson Fund Administration Limited

20 December 2019

J. Gordon

## Accounting policies of Smith & Williamson Fixed Interest Fund (unaudited)

*for the six months ended 31 October 2019*

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2019 and are described in those annual financial statements.

As described in the Manager's report, the Manager continues to adopt the going concern basis in the preparation of the accounts.

## Investment Manager's report

### Investment performance\*

Over the six months to 31 October 2019, the Fund (A Class Income) produced a performance of 4.33%, underperforming the iBoxx £ Corporates Index, which returned 5.84%. Over the same period, the Investment Association (IA) Sterling Corporate Bond sector median produced a performance of 5.26%.

The Fund benefited from lower risk-free rates over the year but our conservative approach to credit risk was a relative detractor compared to the Index and the sector median. Many of our peers take a more aggressive approach to credit risk and some deliberately target high yield or 'crossover' names (essentially those issuers on the cusp of high yield and investment grade). Credit spreads - the additional yield that credit investors demand compared to the yields available on government bond yields of equivalent maturity - tightened over the period, and this was particularly noticeable in the BBB space where US spreads declined from nearly 180 basis points (bps) in June to just over 150bps in late October (source: Refinitiv). Similarly, spreads on UK BBBs declined as the risk of a hard Brexit in October began to fade, which disproportionately benefited the more levered and lower-quality names within the market. A bias against the banking sector also detracted as spreads tightened.

On the plus side, our allocation to government bonds worked well with the UK 10-year yield declining from more than 1.1% in late April to 0.6% at the end of October (source: Refinitiv).

|                      | Fund (A class) % | iBoxx GBP Corporate Bond Index % | IA Sterling Corporate Bond Sector Median % |
|----------------------|------------------|----------------------------------|--|
| 6 months to 31.10.19 | 4.33             | 5.84                             | 5.26                                       |
| 1 year to 31.10.19   | 7.61             | 10.34                            | 8.71                                       |
| 3 years to 31.10.19  | 9.07             | 15.04                            | 12.78                                      |
| 5 years              | 18.89            | 32.90                            | 26.70                                      |

\*Source: Morningstar Direct, 2019. Net Asset Value (NAV) to NAV, A Class Income. Periods longer than one year have been annualised.

### Investment activities

During the period, the majority of the Fund remained invested in sterling-denominated investment-grade corporate bonds. Our underlying holdings continued to be focused on a list of well-known and well-researched investment-grade corporate credit issuers, including the likes of WM Morrison Supermarkets and National Grid.

During the review period, we continued to emphasise high-quality corporate bonds within the portfolio, beginning and ending the period with an average credit quality of 'A'. Our duration (interest rate sensitivity) rose from 6.3 years at the start of the period to 6.8 years at the end, enabling the Fund to benefit from the reduction in US interest rates over the period (longer-dated bonds are more sensitive to changes in interest rates than shorter-dated bonds).

It was a reasonably busy period in terms of activity as a large subscription into the Fund in September necessitated some rebalancing of the overall portfolio. Purchases included Nationwide Building Society 2% 25/07/2029, M&G Prudential 3.875% 20/07/2049, Electricite de France 6% perpetual and Pfizer 7.2% 15/03/2039. Other high-quality names purchased included Apple 4.5% 23/02/2036, Microsoft 3.5% 12/02/2035 and AT&T 4.375% 14/09/2029. Sales included Verizon Communications 4.75% 17/02/2034 and Next Group 3.625% 18/05/2028. Our holding Beazley 5.375% 25/09/2019 matured and the proceeds were switched into a 10-year bond from the same issuer - Beazley Insurance 5.5% 10/09/2029.

### Investment strategy and outlook

The medium-term outlook for credit markets remains uncertain, in part because of the elevated levels of political uncertainty in the UK and US and a moribund economic environment in Europe. Our strategy for an uncertain world is to diversify by yield curve and sector and ensure as far as we can that we are being rewarded appropriately for the credit, interest rate and liquidity risks that we are being asked to take. Low headline government bond yields have pushed many investors into riskier parts of the credit market, but we continue to exercise caution given the maturity of the current economic cycle and the relatively poor health of corporate balance sheets outside the technology sector.

Smith & Williamson Investment Management LLP

27 November 2019

## Summary of portfolio changes

for the six months ended 31 October 2019

The following represents the major purchases and sales in the period to reflect a clearer picture of the investment activities.

|   | Cost<br>£ |
|---|-----------|
| Purchases:                                |           |
| US Treasury Note 4.25% 15/05/2039         | 1,513,327 |
| Henkel AG 1.25% 30/09/2026                | 999,870   |
| Nationwide Building Society 2% 25/07/2029 | 728,297   |
| M&G Prudential 3.875% 20/07/2049          | 714,940   |
| Electricite de France 6% perpetual        | 660,000   |
| Pfizer 7.2% 15/03/2039                    | 619,659   |
| Next Group 4.375% 02/10/2026              | 562,330   |
| UK Treasury Gilt 1.5% 22/07/2047          | 537,954   |
| Apple 4.5% 23/02/2036                     | 501,800   |
| Engie 3.875% perpetual                    | 496,529   |
| Verizon Communications 0.875% 02/04/2025  | 477,792   |
| UK Treasury Gilt 4.75% 07/12/2030         | 445,014   |
| Microsoft 3.5% 12/02/2035                 | 437,216   |
| BHP Billiton Finance 5.625% 22/10/2079    | 430,810   |
| Electricite de France 5.375% 29/01/2025   | 411,469   |
| Lloyds Bank 1.14104% 13/09/2021           | 400,355   |
| Anheuser-Busch InBev 2.25% 24/05/2029     | 395,212   |
| BHP Billiton Finance 6.5% 22/10/2077      | 341,100   |
| UK Treasury Gilt 1.75% 07/09/2037         | 319,983   |
| Phoenix Group Holdings 4.125% 20/07/2022  | 313,257   |

|  | Proceeds<br>£ |
|--|---------------|
| Sales:   |               |
| UK Treasury Gilt Index Linked 0.125% 22/03/2029      | 1,062,949     |
| Toyota Motor Finance Netherlands 1.07925% 22/11/2019 | 999,889       |
| UK Treasury Gilt 4.75% 07/12/2030                    | 861,573       |
| Prudential 11.375% 29/05/2039                        | 600,000       |
| Nationwide Building Society 6.875% Perpetual         | 600,000       |
| UK Treasury Gilt 1.5% 22/07/2047                     | 532,680       |
| BP Capital Markets 2.274% 03/07/2026                 | 530,800       |
| Banco Santander 2.75% 12/09/2023                     | 523,088       |
| Verizon Communications 4.75% 17/02/2034              | 473,956       |
| Microsoft 3.3% 06/02/2027                            | 452,546       |
| Pfizer 3% 15/12/2026                                 | 438,596       |
| Sanofi 3.625% 19/06/2028                             | 416,051       |
| Henkel AG 1.25% 30/09/2026                           | 399,654       |
| Electricite de France 5.375% 29/01/2025              | 398,289       |
| Next Group 3.625% 18/05/2028                         | 374,084       |
| GKN Holdings 5.375% 19/09/2022                       | 352,628       |
| BHP Billiton Finance 6.5% 22/10/2077                 | 341,250       |
| BAT International Finance 6% 24/11/2034              | 330,240       |
| Kraft Heinz Foods 4.125% 01/07/2027                  | 273,163       |
| HSBC Holdings 2.625% 16/08/2028                      | 210,740       |

## Portfolio statement

as at 31 October 2019

| Investment   | Nominal<br>value or<br>holding | Market<br>value<br>£ | % of total<br>net assets |
|--|--------------------------------|----------------------|--------------------------|
| Debt Securities* 98.95% (99.08%)                           |                                |                      |                          |
| Debt Securities - United Kingdom 61.86% (70.20%)           |                                |                      |                          |
| Aaa to Aa2 6.88% (9.32%)                                   |                                |                      |                          |
| Lloyds Bank 1.14104% 13/09/2021**                          | £400,000                       | 400,112              | 0.92                     |
| UK Treasury Gilt 1.75% 07/09/2037                          | £800,000                       | 895,200              | 2.06                     |
| UK Treasury Gilt 4.25% 07/03/2036                          | £640,000                       | 961,024              | 2.22                     |
| Wellcome Trust 1.125% 21/01/2027                           | €300,000                       | 277,130              | 0.64                     |
| Wellcome Trust Finance 4.625% 25/07/2036                   | £300,000                       | 450,388              | 1.04                     |
|  |                                | 2,983,854            | 6.88                     |
| Aa3 to A1 1.76% (2.41%)                                    |                                |                      |                          |
| BP Capital Markets 2.03% 14/02/2025                        | £350,000                       | 363,139              | 0.84                     |
| HSBC Bank 0.96688% 09/03/2020**                            | £400,000                       | 399,748              | 0.92                     |
|  |                                | 762,887              | 1.76                     |
| A2 to A3 15.36% (16.55%)                                   |                                |                      |                          |
| AstraZeneca 6.45% 15/09/2037                               | \$600,000                      | 652,131              | 1.50                     |
| Aviva 6.125% 14/11/2036**                                  | £350,000                       | 417,935              | 0.96                     |
| Aviva 6.125% 05/07/2043**                                  | €200,000                       | 202,041              | 0.47                     |
| Aviva 6.125% perpetual**                                   | £250,000                       | 270,630              | 0.62                     |
| Direct Line Insurance Group 9.25% 27/04/2042**             | £500,000                       | 588,935              | 1.36                     |
| GlaxoSmithKline Capital 5.25% 19/12/2033                   | £400,000                       | 573,944              | 1.32                     |
| Legal & General Group 5.375% 27/10/2045**                  | £500,000                       | 563,690              | 1.30                     |
| Legal & General Group 10% 23/07/2041**                     | £300,000                       | 341,991              | 0.79                     |
| M&G Prudential 3.875% 20/07/2049**                         | £700,000                       | 716,107              | 1.65                     |
| National Grid Electricity Transmission 3.806% 27/07/2020** | £464,000                       | 798,024              | 1.84                     |
| Reckitt Benckiser Treasury Services 3% 26/06/2027          | \$650,000                      | 517,423              | 1.19                     |
| Sky 2.875% 24/11/2020                                      | £600,000                       | 610,710              | 1.41                     |
| United Utilities Water Finance 2% 14/02/2025               | £400,000                       | 412,464              | 0.95                     |
|  |                                | 6,666,025            | 15.36                    |
| Baa1 to Baa2 21.52% (21.69%)                               |                                |                      |                          |
| BAT International Finance 1.75% 05/07/2021                 | £400,000                       | 402,136              | 0.93                     |
| BAT International Finance 6% 24/11/2034                    | £250,000                       | 327,093              | 0.75                     |
| British Telecommunications 3.5% 25/04/2025**               | £150,000                       | 317,491              | 0.73                     |
| British Telecommunications 5.75% 07/12/2028                | £150,000                       | 193,839              | 0.45                     |
| Cadent Finance 2.125% 22/09/2028                           | £500,000                       | 510,110              | 1.18                     |
| Credit Suisse Group Funding Guernsey 3% 27/05/2022         | £375,000                       | 390,550              | 0.90                     |
| CRH Finance UK 4.125% 02/12/2029                           | £600,000                       | 711,916              | 1.64                     |
| Glencore Finance Europe 3.125% 26/03/2026                  | £500,000                       | 514,490              | 1.19                     |
| Glencore Finance Europe 6% 03/04/2022                      | £300,000                       | 330,555              | 0.76                     |
| Lloyds Bank 5.75% 09/07/2025**                             | £400,000                       | 410,780              | 0.95                     |
| National Grid 1.25% 06/10/2021**                           | £575,000                       | 728,387              | 1.68                     |
| Nationwide Building Society 2% 25/07/2029**                | €800,000                       | 715,237              | 1.65                     |
| Next Group 4.375% 02/10/2026                               | £500,000                       | 560,239              | 1.29                     |
| Rolls-Royce 3.375% 18/06/2026                              | £600,000                       | 659,585              | 1.52                     |

## Portfolio statement (continued)

as at 31 October 2019

| Investment                                       | Nominal<br>value or<br>holding | Market<br>value<br>£ | % of total<br>net assets |
|--|--------------------------------|----------------------|--------------------------|
| Debt securities - United Kingdom (continued)     |                                |                      |                          |
| Baa1 to Baa2 (continued)                         |                                |                      |                          |
| RSA Insurance Group 5.125% 10/10/2045**          | £500,000                       | 561,203              | 1.29                     |
| Scottish Widows 5.5% 16/06/2023                  | £350,000                       | 389,886              | 0.90                     |
| Severn Trent 1.3% 11/07/2022**                   | £300,000                       | 369,765              | 0.85                     |
| South Eastern Power Networks 3.053% 05/06/2023** | £150,000                       | 277,188              | 0.64                     |
| WM Morrison Supermarkets 3.5% 27/07/2026         | £875,000                       | 967,536              | 2.22                     |
|  |                                | <u>9,337,986</u>     | <u>21.52</u>             |
| Baa3 and below 16.34% (20.23%)                   |                                |                      |                          |
| BG Energy Capital 5.125% 01/12/2025              | £300,000                       | 367,105              | 0.85                     |
| Centrica 3% 10/04/2076**                         | £500,000                       | 439,453              | 1.01                     |
| Hiscox 2% 14/12/2022                             | £600,000                       | 605,790              | 1.40                     |
| HSBC Holdings 6% perpetual**                     | \$900,000                      | 721,046              | 1.66                     |
| HSBC Holdings 6% perpetual**                     | €200,000                       | 195,543              | 0.45                     |
| Imperial Brands Finance 5.5% 28/09/2026          | £300,000                       | 357,453              | 0.82                     |
| Imperial Brands Finance 8.125% 15/03/2024        | £200,000                       | 251,764              | 0.58                     |
| J Sainsbury 6.5% perpetual**                     | £700,000                       | 723,016              | 1.67                     |
| John Lewis 6.125% 21/01/2025                     | £500,000                       | 568,120              | 1.31                     |
| Marks & Spencer 7.125% 01/12/2037                | \$400,000                      | 352,766              | 0.81                     |
| Nottingham Building Society 7.875% perpetual     | £300,000                       | 379,731              | 0.87                     |
| Phoenix Group Holdings 4.125% 20/07/2022         | £300,000                       | 312,891              | 0.72                     |
| Phoenix Group Holdings 5.75% 07/07/2021          | £100,000                       | 106,289              | 0.24                     |
| Society of Lloyd's 4.75% 30/10/2024              | £350,000                       | 388,843              | 0.90                     |
| SSE 4.75% 16/09/2077**                           | \$700,000                      | 549,316              | 1.27                     |
| Tesco 1.982% 24/03/2036**                        | £450,000                       | 772,880              | 1.78                     |
|  |                                | <u>7,092,006</u>     | <u>16.34</u>             |
| Total debt securities - United Kingdom           |                                | <u>26,842,758</u>    | <u>61.86</u>             |
| Debt securities - Europe 15.80% (14.86%)         |                                |                      |                          |
| Aaa to Aa2 2.99% (3.59%)                         |                                |                      |                          |
| Equinor 6.125% 27/11/2028                        | £300,000                       | 419,651              | 0.97                     |
| Kreditanstalt fuer Wiederaufbau 6% 07/12/2028    | £300,000                       | 433,750              | 1.00                     |
| Shell International Finance 4.125% 11/05/2035    | \$500,000                      | 444,320              | 1.02                     |
|  |                                | <u>1,297,721</u>     | <u>2.99</u>              |
| Aa3 to A1 1.37% (5.35%)                          |                                |                      |                          |
| BMW Finance 0.875%                               | £600,000                       | 594,234              | 1.37                     |
| A2 to A3 1.38% (0.00%)                           |                                |                      |                          |
| Henkel AG 1.25% 30/09/2026                       | £600,000                       | 598,666              | 1.38                     |



## Portfolio statement (continued)

as at 31 October 2019

| Investment  | Nominal<br>value or<br>holding | Market<br>value<br>£ | % of total<br>net assets |
|---|--------------------------------|----------------------|--------------------------|
| Debt securities - Europe (continued)                    |                                |                      |                          |
| Baa1 to Baa2 5.66% (3.54%)                              |                                |                      |                          |
| Anheuser-Busch InBev 2.25% 24/05/2029                   | £900,000                       | 933,246              | 2.15                     |
| Deutsche Telekom International Finance 2.25% 13/04/2029 | £500,000                       | 513,245              | 1.18                     |
| Deutsche Telekom International Finance 6.5% 08/04/2022  | £300,000                       | 337,565              | 0.78                     |
| Engie 3.25% perpetual**                                 | €200,000                       | 189,395              | 0.44                     |
| Engie 3.875% perpetual**                                | €500,000                       | 483,602              | 1.11                     |
|   |                                | <u>2,457,053</u>     | <u>5.66</u>              |
| Baa3 and below 4.40% (2.38%)                            |                                |                      |                          |
| Electricite de France 6% perpetual**                    | £600,000                       | 653,275              | 1.51                     |
| Orange 5.75% perpetual**                                | £500,000                       | 553,078              | 1.27                     |
| Orange 5.875% perpetual**                               | £500,000                       | 541,443              | 1.25                     |
| Beazley Insurance 5.5% 10/09/2029                       | \$200,000                      | 163,060              | 0.37                     |
|   |                                | <u>1,910,856</u>     | <u>4.40</u>              |
| Total debt securities - Europe                          |                                | <u>6,858,530</u>     | <u>15.80</u>             |
| Debt Securities - North America 15.92% (9.89%)          |                                |                      |                          |
| Aaa to Aa2 6.28% (2.37%)                                |                                |                      |                          |
| Apple 3% 13/11/2027                                     | \$500,000                      | 407,613              | 0.94                     |
| Apple 4.5% 23/02/2036                                   | \$500,000                      | 468,654              | 1.08                     |
| Microsoft 3.5% 12/02/2035                               | \$500,000                      | 425,734              | 0.98                     |
| US Treasury Note 4.25% 15/05/2039                       | \$1,350,000                    | 1,423,747            | 3.28                     |
|   |                                | <u>2,725,748</u>     | <u>6.28</u>              |
| Aa3 to A1 2.73% (2.35%)                                 |                                |                      |                          |
| Novartis Capital 3.1% 17/05/2027                        | \$700,000                      | 577,027              | 1.33                     |
| Pfizer 7.2% 15/03/2039                                  | \$500,000                      | 609,735              | 1.40                     |
|   |                                | <u>1,186,762</u>     | <u>2.73</u>              |
| A2 to A3 0.62% (0.00%)                                  |                                |                      |                          |
| Comcast 5.5% 23/11/2029                                 | £200,000                       | 269,159              | 0.62                     |
| Baa1 to Baa2 5.66% (5.17%)                              |                                |                      |                          |
| AT&T 4.375% 14/09/2029                                  | £500,000                       | 587,885              | 1.35                     |
| AT&T 5.5% 15/03/2027                                    | £250,000                       | 311,119              | 0.72                     |
| McDonald's 5.875% 23/04/2032                            | £500,000                       | 712,796              | 1.64                     |
| Verizon Communications 0.875% 02/04/2025                | €500,000                       | 446,942              | 1.03                     |
| Verizon Communications 4.073% 18/06/2024                | £350,000                       | 397,229              | 0.92                     |
|   |                                | <u>2,455,971</u>     | <u>5.66</u>              |
| Baa3 and below 0.63% (0.00%)                            |                                |                      |                          |
| Kraft Heinz Foods 4.125% 01/07/2027                     | £250,000                       | 273,108              | 0.63                     |
| Total debt securities - North America                   |                                | <u>6,910,748</u>     | <u>15.92</u>             |

## Portfolio statement (continued)

as at 31 October 2019

|   | Nominal<br>value or<br>holding | Market<br>value<br>£ | % of total<br>net assets |
|---|--------------------------------|----------------------|--------------------------|
| Investment  |                                |                      |                          |
| Debt Securities - Rest of the World 5.37% (4.13%) |                                |                      |                          |
| Aaa to Aa2 1.48% (0.00%)                          |                                |                      |                          |
| Temasek Financial 5.125% 26/07/2040               | £400,000                       | 641,046              | 1.48                     |
| Aa3 to A1 0.00% (1.07%)                           |                                | -                    | -                        |
| Baa1 to Baa2 2.52% (1.96%)                        |                                |                      |                          |
| BHP Billiton Finance 5.6256% 22/10/2079**         | €400,000                       | 420,195              | 0.97                     |
| BHP Billiton Finance 6.5% 22/10/2077**            | £600,000                       | 676,608              | 1.55                     |
|   |                                | 1,096,803            | 2.52                     |
| Baa3 and below 1.37% (1.10%)                      |                                |                      |                          |
| QBE Insurance Group 6.115% 24/05/2042**           | £549,000                       | 595,182              | 1.37                     |
| Total debt securities - Rest of the World         |                                | 2,333,031            | 5.37                     |
| Total debt securities                             |                                | 42,945,067           | 98.95                    |
| Forward Currency Contracts 0.70% (-0.06%)         |                                |                      |                          |
| Sell euro   | -€3,960,000                    | (3,415,716)          |                          |
| Buy UK sterling                                   | £3,490,455                     | 3,490,455            |                          |
| Expiry date 14 November 2019                      |                                | 74,739               | 0.18                     |
| Sell US dollar                                    | -\$9,590,000                   | (7,408,123)          |                          |
| Buy UK sterling                                   | £7,634,503                     | 7,634,503            |                          |
| Expiry date 14 November 2019                      |                                | 226,380              | 0.52                     |
| Total forward currency contracts                  |                                | 301,119              | 0.70                     |
| Portfolio of investments                          |                                | 43,246,186           | 99.65                    |
| Other net assets                                  |                                | 154,032              | 0.35                     |
| Total net assets                                  |                                | 43,400,218           | 100.00                   |

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

The comparative figures in brackets are as at 30 April 2019.

\* Grouped by credit rating - source: Interactive Data and Bloomberg.

\*\* Variable interest security.

Total purchases in the period: £16,662,187

Total sales in the period: £10,481,291

## Risk and reward profile

The risk and reward profile is representative of all unit classes.

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

|  |   |   |  |   |   |   |
|--|---|---|--|---|---|---|
| Typically lower rewards,<br>lower risk |   |   | Typically higher rewards,<br>higher risk |   |   |   |
| 1                                      | 2 | 3 | 4  | 5 | 6 | 7 |

The Fund is in a medium category because the price of its investments have risen or fallen to some extent. The category shown is not guaranteed to remain unchanged and may shift over time. Even the lowest category does not mean a risk-free investment.

The price of the Fund and any income from it can go down as well as up and is not guaranteed. Investors may not get back the amount invested. Past performance is not a guide to future performance.

Where the Fund invests in bonds, there is a risk the bond issuer may fail to meet its repayments. This is usually a greater risk for bonds that produce a higher level of income. Changes in interest rates, inflation and the creditworthiness of the bond issuer may also affect the bond's market value.

The Fund is entitled to use derivative instruments for Efficient Portfolio Management. Derivatives may not achieve their intended purpose. Their prices may move up or down significantly over relatively short periods of time which may result in losses greater than the amount paid. This could adversely impact the value of the Fund.

The organisation from which the Fund buys a derivative may fail to carry out its obligations, which could also cause losses to the Fund.

For further information please refer to the KIID.

For full details on risk factors for the Fund, please refer to the Prospectus.

There have been no changes to the risk and reward indicator in the period.

## Performance information

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Number of units in issue                             | 31.10.19   | 30.04.19   | 30.04.18   | 30.04.17   |
| A Class Income                                       | 3,815,680  | 261,488    | 320,564    | 684,812    |
| A Class Accumulation                                 | 2,958,811  | 438,485    | 454,639    | 275,370    |
| B Class Income                                       | 22,364,360 | 22,528,176 | 26,222,908 | 24,579,838 |
| B Class Accumulation                                 | 6,632,138  | 6,353,751  | 7,908,835  | -          |
| Net Asset Value (NAV)                                | £          | £          | £          | £          |
| Total NAV of the Fund                                | 43,400,218 | 34,334,792 | 39,961,816 | 29,602,509 |
| NAV attributable to A Class Income unitholders       | 4,966,224  | 329,006    | 400,926    | 870,844    |
| NAV attributable to A Class Accumulation unitholders | 3,478,190  | 493,250    | 496,776    | 300,310    |
| NAV attributable to B Class Income unitholders       | 26,590,704 | 25,863,517 | 29,857,184 | 28,431,355 |
| NAV attributable to B Class Accumulation unitholders | 8,365,100  | 7,649,019  | 9,206,930  | -          |
| Net asset value per unit (based on bid value) ^      | p          | p          | p          | p          |
| A Class Income                                       | 130.2      | 125.8      | 125.1      | 127.2      |
| A Class Accumulation                                 | 117.6      | 112.5      | 109.3      | 109.1      |
| B Class Income                                       | 118.9      | 114.8      | 113.9      | 115.7      |
| B Class Accumulation                                 | 126.1      | 120.4      | 116.4      | -          |

^ The net asset value per unit excludes the value of the income distributions payable.

## Highest and lowest prices and distributions

|                                     |                      | Distribution<br>per unit | Highest<br>offer price | Lowest<br>bid price |
|-------------------------------------|----------------------|--------------------------|------------------------|---------------------|
| Financial year to 30 April          |                      | p                        | p                      | p                   |
| 2017                                | A Class Income       | 2.485                    | 131.3                  | 121.7               |
| 2017                                | A Class Accumulation | 2.106                    | 111.0                  | 102.2               |
| 2017                                | B Class Income       | 2.474                    | 119.3                  | 110.5               |
| 2018                                | A Class Income       | 2.367                    | 128.7                  | 124.2               |
| 2018                                | A Class Accumulation | 2.150                    | 110.9                  | 108.0               |
| 2018                                | B Class Income       | 2.522                    | 117.1                  | 113.0               |
| 2018*                               | B Class Accumulation | 1.902                    | 117.8                  | 100.0               |
| 2019                                | A Class Income       | 2.879                    | 126.9                  | 122.7               |
| 2019                                | A Class Accumulation | 2.539                    | 112.8                  | 108.3               |
| 2019                                | B Class Income       | 2.882                    | 115.9                  | 111.9               |
| 2019                                | B Class Accumulation | 2.975                    | 120.8                  | 115.7               |
| Financial period to 31 October 2019 | A Class Income       | 1.364                    | 132.0                  | 126.1               |
| Financial period to 31 October 2019 | A Class Accumulation | 1.223                    | 118.7                  | 112.2               |
| Financial period to 31 October 2019 | B Class Income       | 1.377                    | 120.6                  | 115.1               |
| Financial period to 31 October 2019 | B Class Accumulation | 1.449                    | 127.3                  | 120.0               |

\* For the period from 31 July 2017 to 30 April 2018.

## Performance information (continued)

### Summary of the distributions in the current financial period and prior financial year

#### A Class Income

| Payment date | p     | Payment date | p     |
|--------------|-------|--------------|-------|
| 20.09.19     | 0.754 | 20.09.18     | 0.707 |
| 20.12.19     | 0.610 | 20.12.18     | 0.739 |
|              |       | 20.03.19     | 0.738 |
|              |       | 20.06.19     | 0.695 |

#### A Class Accumulation

| Allocation date | p     | Allocation date | p     |
|-----------------|-------|-----------------|-------|
| 20.09.19        | 0.674 | 20.09.18        | 0.618 |
| 20.12.19        | 0.549 | 20.12.18        | 0.651 |
|                 |       | 20.03.19        | 0.653 |
|                 |       | 20.06.19        | 0.617 |

#### B Class Income

| Payment date | p     | Payment date | p     |
|--------------|-------|--------------|-------|
| 20.09.19     | 0.755 | 20.09.18     | 0.709 |
| 20.12.19     | 0.622 | 20.12.18     | 0.740 |
|              |       | 20.03.19     | 0.737 |
|              |       | 20.06.19     | 0.696 |

#### B Class Accumulation

| Allocation date | p     | Allocation date | p     |
|-----------------|-------|-----------------|-------|
| 20.09.19        | 0.792 | 20.09.18        | 0.725 |
| 20.12.19        | 0.657 | 20.12.18        | 0.761 |
|                 |       | 20.03.19        | 0.763 |
|                 |       | 20.06.19        | 0.726 |

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

## Ongoing charges figure

The ongoing charges figure ('OCF') provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The OCF consists principally of the Manager's periodic charge and the Investment Manager's fee which are included in the annual management charge, but also includes the costs for other services paid.

|                          |                       |          |
|--------------------------|-----------------------|----------|
| A Class Income           | 31.10.19 <sup>^</sup> | 30.04.19 |
| Annual management charge | 1.00%                 | 1.00%    |
| Other expenses           | 0.07%                 | 0.07%    |
| Ongoing charges figure   | 1.07%                 | 1.07%    |
| A Class Accumulation     | 31.10.19 <sup>^</sup> | 30.04.19 |
| Annual management charge | 1.00%                 | 1.00%    |
| Other expenses           | 0.07%                 | 0.07%    |
| Ongoing charges figure   | 1.07%                 | 1.07%    |
| B Class Income           | 31.10.19 <sup>^</sup> | 30.04.19 |
| Annual management charge | 0.55%                 | 0.55%    |
| Other expenses           | 0.07%                 | 0.07%    |
| Ongoing charges figure   | 0.62%                 | 0.62%    |
| B Class Accumulation     | 31.10.19 <sup>^</sup> | 30.04.19 |
| Annual management charge | 0.55%                 | 0.55%    |
| Other expenses           | 0.07%                 | 0.07%    |
| Ongoing charges figure   | 0.62%                 | 0.62%    |

<sup>^</sup> Annualised based on the expenses incurred during the period 1 May 2019 to 31 October 2019.

Please note the OCF is indicative of the charges which the unit classes may incur in a year as it is calculated on historical data.

## Financial statements - Smith & Williamson Fixed Interest Fund (unaudited)

### Statement of total return (unaudited)

for the six months ended 31 October 2019

|  | 1 May 2019 to<br>31 October 2019 | 1 May 2018 to<br>31 October 2018 |
|--|----------------------------------|----------------------------------|
|  | £                                | £                                |
| Income:  |                                  |                                  |
| Net capital gains / (losses)   | 1,138,831                        | (450,840)                        |
| Revenue  | 515,012                          | 556,624                          |
| Expenses   | <u>(130,910)</u>                 | <u>(122,260)</u>                 |
| Net revenue before taxation  | 384,102                          | 434,364                          |
| Taxation   | <u>-</u>                         | <u>-</u>                         |
| Net revenue after taxation   | <u>384,102</u>                   | <u>434,364</u>                   |
| Total return before distributions  | 1,522,933                        | (16,476)                         |
| Distributions  | (442,661)                        | (489,375)                        |
| Change in net assets attributable to unitholders<br>from investment activities | <u>1,080,272</u>                 | <u>(505,851)</u>                 |

### Statement of change in net assets attributable to unitholders (unaudited)

for the six months ended 31 October 2019

|  | 1 May 2019 to<br>31 October 2019 | 1 May 2018 to<br>31 October 2018 |
|--|----------------------------------|----------------------------------|
|  | £                                | £                                |
| Opening net assets attributable to unitholders                                 | 34,334,792 *                     | 39,961,816                       |
| Share exchange issues on in specie transfers                                   | 2,019,592                        | -                                |
| Amounts receivable on issue of units   | 14,093,872                       | 97,578                           |
| Amounts payable on cancellation of units                                       | <u>(8,243,033)</u>               | <u>(3,376,104)</u>               |
|  | 7,870,431                        | (3,278,526)                      |
| Change in net assets attributable to unitholders<br>from investment activities | 1,080,272                        | (505,851)                        |
| Retained distributions on accumulation units                                   | 112,575                          | 117,694                          |
| Unclaimed distributions  | 2,148                            | 211                              |
| Closing net assets attributable to unitholders                                 | <u>43,400,218</u>                | <u>36,295,344 *</u>              |

\* The opening net assets in the current period do not equal the closing net assets in the comparative period as they are not consecutive periods.

## Balance sheet (unaudited)

as at 31 October 2019

|  | 31 October 2019<br>£ | 30 April 2019<br>£ |
|--|----------------------|--------------------|
| Assets:                                |                      |                    |
| Fixed assets:                          |                      |                    |
| Investments                            | 43,246,186           | 34,037,265         |
| Current assets:                        |                      |                    |
| Debtors                                | 584,741              | 507,249            |
| Cash and bank balances                 | 15,898               | 73,681             |
| Total assets                           | <u>43,846,825</u>    | <u>34,618,195</u>  |
| Liabilities:                           |                      |                    |
| Investment liabilities                 | -                    | (25,528)           |
| Creditors:                             |                      |                    |
| Distribution payable                   | (162,382)            | (158,614)          |
| Other creditors                        | (284,225)            | (99,261)           |
| Total liabilities                      | <u>(446,607)</u>     | <u>(283,403)</u>   |
| Net assets attributable to unitholders | <u>43,400,218</u>    | <u>34,334,792</u>  |



## Further information

### Distributions and reporting dates

Where net revenue is available it will be distributed/allocated quarterly on 20 June (final), 20 September (quarter 1), 20 December (interim) and 20 March (quarter 3). In the event of a distribution, unitholders will receive a tax voucher.

|                  |            |           |
|------------------|------------|-----------|
| XD dates:        | 1 May      | final     |
|                  | 1 August   | quarter 1 |
|                  | 1 November | interim   |
|                  | 1 February | quarter 3 |
| Reporting dates: | 30 April   | annual    |
|                  | 31 October | interim   |

### Buying and selling units

The property of the Fund is valued at 12 noon on every business day, with the exception of any bank holiday in England and Wales or the last Business Day prior to those days annually, where the valuation may be carried out at a time agreed in advance between the Manager and the Trustee; and prices of units are calculated at that time. The Manager reserves the right to revalue the Fund at any time, at its discretion. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

The minimum initial investment and holding in A class income and A class accumulation units is £1,000. The minimum initial investment and holding in B class income and B class accumulation units is £250,000. The subsequent minimum investment for all unit classes is £500. The Manager reserves the right to terminate investments where the value is less than the minimum investment. The Manager may exceptionally, at their discretion, waive such values from time to time.

A preliminary charge of 5% of the value of A class units issued is included in the price. There is no initial charge in B class units.

Prices of units and the estimated yield of the unit classes are published on the following website: [www.fundlistings.com](http://www.fundlistings.com) or may be obtained by calling 0141 222 1151.

### Benchmark

Unitholders may compare the performance of the Trust against the iBoxx £ Corporates Index and the IA Sterling Corporate Bond Sector.

Comparison of the Trust's performance against the IA Sterling Corporate Bond Sector will give unitholders an indication of how the Trust is performing against other similar funds in this peer group sector. The Manager has selected the iBoxx £ Corporates Index as a comparator benchmark as the Manager believes it best reflects the asset allocation of the Trust.

## Appointments

### Manager and Registered office

Smith & Williamson Fund Administration Limited  
25 Moorgate  
London EC2R 6AY  
Telephone: 020 7131 4000  
Authorised and regulated by the Financial Conduct Authority

### Administrator and Registrar

Smith & Williamson Fund Administration Limited  
206 St. Vincent Street  
Glasgow G2 5SG  
Telephone: 0141 222 1151 (Registration)  
0141 222 1150 (Dealing)  
Authorised and regulated by the Financial Conduct Authority

### Directors of the Manager

Brian McLean  
David Cobb  
James Gordon  
Kevin Stopps  
Paul Wyse - resigned 8 December 2019

### Independent Non-Executive Directors of the Manager

Dean Buckley  
Linda Robinson  
Victoria Muir

### Non-Executive Directors of the Manager

Paul Wyse - appointed 9 December 2019

### Investment Manager

Smith & Williamson Investment Management LLP  
25 Moorgate  
London EC2R 6AY  
Authorised and regulated by the Financial Conduct Authority

### Trustee

NatWest Trustee & Depositary Services Limited  
2nd Floor  
Drummond House  
1 Redheughs Avenue  
Edinburgh EH12 9RH  
Authorised and regulated by the Financial Conduct Authority

### Auditor

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG