

# IFSL Trade Union Unit Trust

**Annual Report and Audited Financial Statements**  
for the year ended 15 August 2019

IFSL

— Fund Services —



**TU Financial Management Services Ltd**

## **IFSL TRADE UNION UNIT TRUST**

### **Authorised Fund Manager and Registrar**

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

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

### **Directors of IFSL**

Andrew Staley	Chairman
Nicholas F J Cooling	Deputy Chairman
Allan Hamer	Joint Managing Director
Wayne D Green	Joint Managing Director
Dom Clarke	Finance Director
Helen Derbyshire	Director – Compliance & Risk
Helen Redmond	Director – Relationships
Richard Goodall	Director – Strategy & Business Development (appointed 7 December 2018)
Guy Sears	Non-Executive Director
David Kiddie	Non-Executive Director (appointed 14 December 2018)

### **Trustee**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

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

### **Investment Adviser**

Aberdeen Asset Management  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

Authorised and regulated by the Financial Conduct Authority.

### **Auditor**

Shipleys LLP  
Chartered Accountants  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

## IFSL TRADE UNION UNIT TRUST

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## IFSL TRADE UNION UNIT TRUST

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 15 August 2019

#### Percentage change to 15 August 2019

	<u>Six Months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Trade Union Unit Trust	11.00%	7.24%	32.78%	45.35%

External Source of Economic Data: Morningstar (bid to bid, net income reinvested).

#### **Market review**

European equity markets posted modest gains for the year under review, though this belies some significant moves during the period. Since the beginning of 2019, stocks broadly maintained an upwards trend amid a climate of easing monetary policy, allowing the market to recover losses after a brutal second half of 2018. Key to the recovery was the US Federal Reserve's (Fed) abrupt U-turn in monetary policy, which prompted other major central banks to also adopt a looser stance. The Fed's first rate cut in over a decade occurred in July but disappointed investors, who were hoping for a larger than 25 basis point cut in light of economic growth downgrades across the globe. The European Central Bank (ECB), however, maintained its rate, pledging instead to increase other forms of stimulus.

In the European Parliament elections in May, pro-European parties held their ground across the continent despite growing pressure from populists and nationalists. Green parties gained ground, thanks to rising environmental concerns, while traditional centrist parties on both the left and the right struggled. In the UK, Brexit continued to dominate politics. Boris Johnson officially replaced Theresa May as the UK prime minister, and stood firm that the UK will leave the European Union by the 31 October deadline – with or without an exit deal. With the future of the UK and its continental peer's post-Brexit still unclear, the pound fell to a two-year low against the dollar in July.

Meanwhile, US-China trade negotiations continued to flounder, heightening concerns of an inevitable global economic slowdown. Consistently weak economic data from the Eurozone, especially the contraction in once powerhouse economy, Germany's GDP, also weighed on sentiment, reinforcing calls for the ECB to take action.

#### **Portfolio Review**

Against this backdrop, the portfolio rose in sterling terms, outperforming its benchmark gain. Outperformance was driven by good stock selection.

A key contributor to performance was our overweight to technology, driven by owning a number of high quality software businesses, such as oil & gas software provider Aveva Group and architectural software player Nemetschek. Aveva posted earnings upgrades from a combination of stronger end markets and synergy benefits on the back of its merger with Schneider Software, while Nemetschek recovered well after being caught up in the broader technology sell-off late last year, despite its excellent operational delivery. We believe both of these companies retain a significant and visible runway for growth ahead.

Elsewhere our stock-picking within the financials sector also proved beneficial. Our long-standing underweight to banks benefited relative performance, as lower bond yields fed through negatively for the sector's earnings outlook. The fallout from Russian money laundering allegations in Estonia also hurt a number of Scandinavian banks, which were accused of processing the payments. Meanwhile our preferred holdings in the sector such as reinsurance stalwart Hannover Re and London Stock Exchange Group performed well. The latter, in particular, was boosted by a deal to acquire market data and analytics provider Refinitiv towards the end of the period, which we expect to be highly accretive.

Conversely, limiting gains were British American Tobacco, which slid despite positive earnings and outlook, after a proposed US ban on menthol cigarettes, which contribute to a quarter of its profits, though analysts believed chances of an outright ban being enacted were slim. Elsewhere, Bayer detracted as its shares fell in the wake of litigation related woes against Monsanto, the US-based agribusiness that it acquired. Rotork also struggled in the lower oil price environment and more mixed demand conditions. We exited both Bayer and Rotork during the period.

#### **Outlook**

Markets remain sensitive to geopolitical newsflow and developments around tariffs as well as various trade negotiations, which increasingly appear to be contributing to weaker global economic growth. This is expected to result in continued volatility in markets. As always, we retain a clear focus on high quality companies. Our emphasis on powerful structural growth trends should enable robust corporate performance regardless of economic conditions; while balance sheet strength, an active focus on ESG risk management, and high predictability of earnings lends downside protection.

Aberdeen Asset Management  
2 September 2019

## IFSL TRADE UNION UNIT TRUST

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 15 August 2019

#### Distributions (pence per unit)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Income units</u>				
Net income paid 15 April	0.6482	0.5705	0.5904	0.2410
Net income paid 15 October	5.0936	7.5658	9.5209	10.5428

#### Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
Kerry Group 'A'	1,875,916	BTG	1,289,704
RELX	1,543,456	InterContinental Hotels Group	1,282,898
ASML Holding	1,429,703	KONE 'B'	1,223,384
SAP	1,422,447	Bayer	1,191,328
Dechra Pharmaceuticals	1,408,317	UBS Group	1,114,827
Rentokil Initial	1,396,766	Rotork	1,040,398
Wolters Kluwer	1,370,271	British American Tobacco	1,040,141
Ubisoft Entertainment	1,353,770	AVEVA Group	1,005,225
Diageo	1,231,794	Schoeller-Bleckmann Oilfield Equipment	1,003,272
Just Eat	1,210,574	Brunello Cucinelli	997,795
Other purchases	13,997,146	Other sales	8,032,987
Total purchases for the year	28,240,160	Total sales for the year	19,221,959

## IFSL TRADE UNION UNIT TRUST

### AUTHORISED STATUS AND GENERAL INFORMATION

#### Authorised status

IFSL Trade Union Unit Trust (the Trust) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

#### Investment objective

The investment objective of the Trust is to provide investors with long term capital growth together with an income.

Investments will be made in British commercial companies and industrial companies as well as companies quoted on European stock markets. Investments may also be made in other collective investment schemes.

The primary aim of the Investment Adviser is to enable the Trust to outperform the benchmark (60% FTSE All Share Index / 40% FTSE Europe ex UK Index) by 1% per annum over rolling three year periods with net income re-invested.

#### Changes in prospectus

With effect from 1 April 2019 the Fund has changed from a dual priced unit trust to a single priced unit trust and is operating a 'swinging' single price mechanism.

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

#### Remuneration policy

In line with the requirement of UCITS V, Investment Fund Services Limited is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2018 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
<b>Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Fund</b>				
Senior management	8	469,498	339,879	129,619
Risk takers and other identified staff	3	85,189	65,618	19,571
<b>Allocation of total remuneration of the employees of the AFM to the Fund</b>				
Senior management	0.04	5,462	3,954	1,508
Risk takers and other identified staff	0.02	991	763	228

The total number of staff employed by the AFM was 148 as at 30 September 2018. The total remuneration paid to those staff was £6,491,736, of which £2,660,087 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFM's. The allocation of remuneration to the Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

## IFSL TRADE UNION UNIT TRUST

### DIRECTORS' STATEMENT

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



**ALLAN HAMER**  
**JOINT MANAGING DIRECTOR**



**HELEN DERBYSHIRE**  
**DIRECTOR – COMPLIANCE & RISK**

### INVESTMENT FUND SERVICES LIMITED

2 October 2019

### STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net gains/(losses) on the property of the Fund for the year.

In preparing those financial statements the AFM is required to:

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

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

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

## **IFSL TRADE UNION UNIT TRUST**

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

#### **Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of IFSL Trade Union Unit Trust ("the Trust") for the period ended 15 August 2019**

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

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

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

The Depositary must ensure that:

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

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

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

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

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

**HSBC BANK PLC**

**LONDON**

2 October 2019



## IFSL TRADE UNION UNIT TRUST

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL TRADE UNION UNIT TRUST

#### Opinion

We have audited the financial statements of IFSL Trade Union Unit Trust for the year ended 15 August 2019, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes, and the Distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by The Investment Association, (the 'Statement of Recommended Practice for Authorised Funds').

This report is made solely to the unitholders of the Trust, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes Sourcebook (COLL) of the Financial Conduct Authority (FCA).

Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in an auditor's report and for no other purposes. 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 opinion we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 15 August 2019 and of the net income and net capital gains on the property of the Trust for the year then ended;
- have been properly prepared in accordance with the Prospectus, the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook issued by the Financial Conduct Authority and United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

- the Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Fund Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Fund Manager's report has been prepared in accordance with applicable legal requirements.

## IFSL TRADE UNION UNIT TRUST

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL TRADE UNION UNIT TRUST

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Fund Manager's report.

We have nothing to report in respect of the following matters to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by us;
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Fund Manager remuneration specified by law are not made; or
- we have not received all the information and explanations required for our audit.

#### Responsibilities of the authorised fund manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities, the authorised fund manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for 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 the Fund Manager either intends to liquidate the Trust or to cease activity, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Robert Wood

Senior Statutory Auditor

For and on behalf of Shipleys LLP  
Chartered accountant and statutory auditor  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

2 October 2019

## IFSL TRADE UNION UNIT TRUST

### COMPARATIVE TABLE

<u>Income units</u>	Year to 15.08.2019	Year to 15.08.2018	Year to 15.08.2017
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	719.15	659.18	597.79
Return before operating charges*	60.27	75.65	78.50
Operating charges	(7.82)	(7.54)	(7.00)
Return after operating charges*	52.45	68.11	71.50
Distributions on income units	(5.74)	(8.14)	(10.11)
Closing net asset value per unit	765.86	719.15	659.18
* after direct transaction costs of:	1.11	0.66	0.56
<b>Performance</b>			
Return after charges	7.29%	10.33%	11.96%
<b>Other information</b>			
Closing net asset value	£69,009,253	£54,652,887	£52,125,292
Closing number of units	9,010,732	7,599,606	7,907,655
Operating charges	1.10%	1.11%	1.12%
Direct transaction costs	0.16%	0.10%	0.09%
<b>Prices</b>			
Highest unit price	808.20p	779.20p	722.20p
Lowest unit price	618.00p	633.10p	567.80p

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average units in issue for the pence per unit figures.

### SYNTHETIC RISK AND REWARD INDICATOR

Lower risk ← Higher risk  
 Typically lower rewards      Typically higher rewards

1	2	3	4	5	6	7
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The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

The Fund has been measured as 5 because it has experienced moderate to high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

**IFSL TRADE UNION UNIT TRUST**

**PORTFOLIO STATEMENT**

as at 15 August 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>AUSTRIA</b> (Nil, August 2018 - 1.60%)		
Total Austria	0	0.00
<b>DENMARK</b> (4.40%, August 2018 - 5.09%)		
53,800 Novo Nordisk 'B'	2,245,630	3.25
23,700 Novozymes 'B'	790,576	1.15
Total Denmark	3,036,206	4.40
<b>FINLAND</b> (Nil, August 2018 - 1.54%)		
Total Finland	0	0.00
<b>FRANCE</b> (5.78%, August 2018 - 5.13%)		
39,600 Edenred	1,577,762	2.29
4,870 L'Oréal	1,022,266	1.48
21,500 Ubisoft Entertainment	1,390,807	2.01
Total France	3,990,835	5.78
<b>GERMANY</b> (5.95%, August 2018 - 7.69%)		
10,900 Hannover Rück	1,418,457	2.06
32,049 Nemetschek	1,325,387	1.92
14,100 SAP	1,359,713	1.97
Total Germany	4,103,557	5.95
<b>IRELAND</b> (3.14%, August 2018 - Nil)		
22,400 Kerry Group 'A'	2,165,070	3.14
Total Ireland	2,165,070	3.14
<b>ITALY</b> (3.38%, August 2018 - 6.29%)		
69,300 Amplifon	1,430,395	2.07
125,200 Davide Campari-Milano	904,703	1.31
Total Italy	2,335,098	3.38
<b>JERSEY</b> (3.36%, August 2018 - 3.28%)		
93,400 Experian	2,321,924	3.36
Total Jersey	2,321,924	3.36
<b>NETHERLANDS</b> (8.11%, August 2018 - 4.40%)		
8,000 ASML Holding	1,369,253	1.98
32,400 Heineken	2,759,291	4.00
25,000 Wolters Kluwer	1,468,730	2.13
Total Netherlands	5,597,274	8.11
<b>SPAIN</b> (1.81%, August 2018 - 1.91%)		
20,800 Amadeus IT Group	1,248,457	1.81
Total Spain	1,248,457	1.81
<b>SWEDEN</b> (1.71%, August 2018 - 1.42%)		
58,900 Atlas Copco 'B'	1,183,650	1.71
Total Sweden	1,183,650	1.71
<b>SWITZERLAND</b> (6.77%, August 2018 - 8.60%)		
23,400 Nestlé	2,108,287	3.06
5,900 Tecan Group	1,171,475	1.70
10,500 Temenos Group	1,390,034	2.01
Total Switzerland	4,669,796	6.77

## IFSL TRADE UNION UNIT TRUST

### PORTFOLIO STATEMENT

as at 15 August 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>UNITED KINGDOM</b> (53.14%, August 2018 - 52.51%)		
168,800 Abcam	2,017,160	2.92
62,100 AVEVA Group	2,290,248	3.32
48,200 British American Tobacco	1,467,931	2.13
79,800 Compass Group	1,608,768	2.33
49,707 Croda International	2,304,416	3.34
56,100 Dechra Pharmaceuticals	1,601,094	2.32
97,200 Diageo	3,310,146	4.80
57,759 Genus	1,445,130	2.09
39,800 Intertek Group	2,146,016	3.11
196,800 Just Eat	1,548,816	2.24
54,620 London Stock Exchange Group	3,649,708	5.29
168,890 Prudential	2,394,860	3.47
158,240 RELX	3,029,505	4.39
356,800 Rentokil Initial	1,585,262	2.30
146,000 Rolls-Royce Holdings	1,096,752	1.59
16,100 Spirax-Sarco Engineering	1,229,235	1.78
58,400 Unilever	2,895,180	4.20
83,100 Weir Group	1,048,306	1.52
Total United Kingdom	<u>36,668,533</u>	<u>53.14</u>
<b>Portfolio of investments</b>	67,320,400	97.55
<b>Net current assets</b>	1,688,853	2.45
<b>Total net assets</b>	<u><u>69,009,253</u></u>	<u><u>100.00</u></u>

**IFSL TRADE UNION UNIT TRUST**

**STATEMENT OF TOTAL RETURN**

for the year ended 15 August 2019

	Notes	15 August 2019		15 August 2018	
		£'000	£'000	£'000	£'000
Income:					
Net capital gains	4		3,927		4,623
Revenue	6	1,141		1,234	
Expenses	7	<u>(607)</u>		<u>(579)</u>	
Net revenue before taxation		534		655	
Taxation	8	<u>(27)</u>		<u>(36)</u>	
Net revenue after taxation			<u>507</u>		<u>619</u>
Total return before distributions			4,434		5,242
Distributions	9		(507)		(619)
Change in net assets attributable to unitholders from investment activities			<u>3,927</u>		<u>4,623</u>

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

for the year ended 15 August 2019

	15 August 2019		15 August 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		54,653		52,125
Amounts receivable on issue of units	12,125		356	
Amounts payable on cancellation of units	<u>(1,704)</u>		<u>(2,454)</u>	
Change in net assets attributable to unitholders from investment activities		10,421		(2,098)
Unclaimed distributions		8		3
Closing net assets attributable to unitholders		<u>69,009</u>		<u>54,653</u>

**IFSL TRADE UNION UNIT TRUST**

**BALANCE SHEET**  
as at 15 August 2019

	Notes	15 August 2019	15 August 2018
		£'000	£'000
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments		67,320	54,356
<b>Current Assets:</b>			
Debtors	10	214	131
Cash and bank balances		2,000	962
Total assets		<u>69,534</u>	<u>55,449</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable		459	575
Other creditors	11	66	221
Total liabilities		<u>525</u>	<u>796</u>
<b>Net assets attributable to unitholders</b>		<u><u>69,009</u></u>	<u><u>54,653</u></u>

## IFSL TRADE UNION UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 August 2019

#### 1 ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared in compliance with FRS102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

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

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

b Going concern

The authorised fund manager has at the time of approving the financial statements, a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

Dividends from shares are recognised when the security is quoted ex-dividend.

Stock dividends, received as shares to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. The treatment follows the accounting treatment of the principal amount.

Bank interest is accounted for on an accruals basis.

d Expenses

All expenses are accounted for on an accruals basis and, other than those relating to purchase and sale of investments, are charged against income as shown in these accounts.

e Taxation

The tax expenses represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Trust's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when the Trust has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

f Valuation of investments

The investments of the Trust have been valued at their fair value at 12 noon on 15 August 2019. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment. The fair value excludes any element of accrued interest.



## IFSL TRADE UNION UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 August 2019

#### ACCOUNTING POLICIES

g Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the year.

h Cash and bank balances

Cash and bank balances include deposits held at call with banks. Bank overdrafts are shown within creditors in liabilities.

i Financial assets

The authorised fund manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Trust's financial instruments.

Financial assets are recognised in the Fund's balance sheet when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of units, accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or uncollectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j Financial liabilities

Financial liabilities are recognised in the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of units and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Trust's obligations are discharged, cancelled, or they expire.

#### 2 DISTRIBUTION POLICIES

a Basis of distribution

The policy of the Trust is to distribute any net revenue shown as such in the Statement of Total Return.

b Distributions from collective investment schemes

Revenue received from investments in authorised collective investment schemes, which are purchased during the financial year, will include an element of equalisation which represents the average amount of revenue included in the price paid for shares/units. The equalisation is treated as a return of capital for taxation purposes and is not included in the distributable revenue.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 15 August 2019

**3 RISK MANAGEMENT POLICIES**

In pursuing its investment objective as stated on page 3, the Trust holds a number of financial instruments. The Trust's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the Trust's financial instruments and the authorised fund manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

**Market price risk**

Market price risk is the risk that the value of the Trust's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Trust holds. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements. The Trust's investment portfolio is exposed to market price fluctuations which are monitored by the authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

**Foreign currency risk**

The income and capital value of the Trust's investments can be affected by foreign currency translation movements as a significant proportion of the Trust's assets and income are denominated in currencies other than sterling which is the Trust's functional currency.

The authorised fund manager has identified three principal areas where foreign currency risk could impact the Trust. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Trust. The Trust converts all receipts of income received in currency, into sterling on the day of receipt.

**Credit and counterparty risk**

Certain transactions in securities that the Trust enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Trust has fulfilled its responsibilities. The Trust only buys and sells investments through brokers which have been approved by the authorised fund manager as an acceptable counterparty.

**Interest rate risk**

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

**Liquidity risk**

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

## IFSL TRADE UNION UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 August 2019

#### 4 NET CAPITAL GAINS/(LOSSES)

15 August 2019  
£'000

15 August 2018  
£'000

The net gains on investments during the year comprise:

Non-derivative securities gains	3,946	4,632
Currency losses	(14)	(4)
Transaction charges	(5)	(5)
<b>Net capital gains</b>	<b>3,927</b>	<b>4,623</b>

#### 5 PURCHASES, SALES AND TRANSACTION COSTS

15 August 2019  
£'000

15 August 2018  
£'000

Purchases excluding transaction costs		
Equities	28,160	18,713
	28,160	18,713
Equities: Commissions	10	5
Taxes and other charges	70	40
Total purchase transaction costs	80	45
<b>Purchases including transaction costs</b>	<b>28,240</b>	<b>18,758</b>

Purchase transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.04%	0.03%
Taxes and other charges	0.25%	0.21%

Sales excluding transaction costs

Equities	19,176	19,530
Collective Investment Schemes	0	1,959
Corporate actions	54	0
	19,230	21,489
Equities: Commissions	(8)	(7)
Total sale transaction costs	(8)	(7)
<b>Sales net of transaction costs</b>	<b>19,222</b>	<b>21,482</b>

Sale transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.04%	0.04%
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Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Equities: Commissions	0.03%	0.02%
Taxes and other charges	0.12%	0.08%
	0.15%	0.10%

No significant in specie transfers or corporate actions were identified in the year.

#### Transaction handling charges

	5	5
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#### Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date

	0.07%	0.09%
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#### 6 REVENUE

15 August 2019  
£'000

15 August 2018  
£'000

UK dividends	764	724
Overseas dividends	376	509
Bank interest	1	1
<b>Total revenue</b>	<b>1,141</b>	<b>1,234</b>

## IFSL TRADE UNION UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 August 2019

#### 7 EXPENSES

	15 August 2019 £'000	15 August 2018 £'000
Payable to the authorised fund manager or associate:		
Manager's periodic charge	554	527
Registration fees	17	18
	<u>571</u>	<u>545</u>
Payable to the trustee or associate:		
Trustee's fees	20	19
Safe custody fees	8	8
	<u>28</u>	<u>27</u>
Other expenses:		
Audit fee	8	7
	<u>8</u>	<u>7</u>
<b>Total expenses</b>	<u><u>607</u></u>	<u><u>579</u></u>

#### 8 TAXATION

	15 August 2019 £'000	15 August 2018 £'000
a Analysis of the tax charge for the year		
Overseas tax	27	36
<b>Total tax charge</b>	<u><u>27</u></u>	<u><u>36</u></u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below:

b Factors affecting the tax charge for the year		
Net revenue before taxation	534	655
Corporation tax at 20%	107	131
Effects of:		
Revenue not subject to taxation	(228)	(247)
Unrelieved excess management expenses	121	116
Overseas tax	27	36
<b>Current tax charge</b>	<u><u>27</u></u>	<u><u>36</u></u>

At 15 August 2019 the Trust has deferred tax assets of £2,424,462 (15 Aug 2018: £2,303,370) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

#### 9 DISTRIBUTIONS

	15 August 2019 £'000	15 August 2018 £'000
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Interim	48	44
Final	459	575
<b>Distributions</b>	<u><u>507</u></u>	<u><u>619</u></u>

Details of the distribution per unit unit are set out in the distribution table on page 20.

#### 10 DEBTORS

	15 August 2019 £'000	15 August 2018 £'000
Amounts receivable for issue of units	13	2
Accrued revenue	96	53
Taxation recoverable	105	76
<b>Total debtors</b>	<u><u>214</u></u>	<u><u>131</u></u>

## IFSL TRADE UNION UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 August 2019

#### 11 OTHER CREDITORS

	15 August 2019 £'000	15 August 2018 £'000
Amounts payable for cancellation of units	22	179
Accrued expenses	44	42
<b>Total other creditors</b>	<u>66</u>	<u>221</u>

#### 12 RELATED PARTIES

The authorised fund manager is involved in all transactions in the units of the Trust, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders.

Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7.

The total amounts due to the authorised fund manager at the year end were £39,191 (15 Aug 2018: £200,474).

#### 13 UNITHOLDERS' FUNDS

During the year the authorised fund manager has issued units as set out below:

Opening units in issue at 16 August 2018	<u>7,599,606</u>
Unit issues	1,654,299
Unit cancellations	(243,173)
Closing units in issue at 15 August 2019	<u>9,010,732</u>

#### 14 RISK DISCLOSURES

##### Market price risk sensitivity

A five per cent increase in the market prices of the Trust's portfolio would have the effect of increasing the return and net assets by £3.366 million (15 Aug 2018: £2.718 million). A five per cent decrease would have an equal and opposite effect.

##### Foreign currency risk

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

Foreign currency exposure at 15 August 2019

	Investments £'000	Net current assets £'000	Total £'000
Danish Krone	3,036	25	3,061
Euro	19,440	28	19,468
Swedish Krona	1,184	0	1,184
Swiss Franc	4,670	52	4,722
	<u>28,330</u>	<u>105</u>	<u>28,435</u>

Foreign currency exposure at 15 August 2018

	Investments £'000	Net current assets £'000	Total £'000
Danish Krone	2,784	17	2,801
Euro	15,606	17	15,623
Swedish Krona	776	0	776
Swiss Franc	4,698	42	4,740
	<u>23,864</u>	<u>76</u>	<u>23,940</u>

##### Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £1.422 million (15 Aug 2018: £1.197 million). A five per cent increase in the value of sterling would have an equal and opposite effect.

## IFSL TRADE UNION UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 August 2019

#### RISK DISCLOSURES

##### Interest rate risk

The interest rate risk profile of financial assets and liabilities for the year ended 15 August 2019 consists of the following:

	Floating Rate Financial Assets £'000	Floating Rate Financial Liabilities £'000	Non-Interest Bearing Financial Assets £'000	Non-Interest Bearing Financial Liabilities £'000	Total £'000
Danish Krone	0	0	3,061	0	3,061
Euro	0	0	19,468	0	19,468
Sterling	2,000	0	39,099	525	40,574
Swedish Krona	0	0	1,184	0	1,184
Swiss Franc	0	0	4,722	0	4,722
	<u>2,000</u>	<u>0</u>	<u>67,534</u>	<u>525</u>	<u>69,009</u>

The interest rate risk profile of financial assets and liabilities for the year ended 15 August 2018 consists of the following:

	Floating Rate Financial Assets £'000	Floating Rate Financial Liabilities £'000	Non-Interest Bearing Financial Assets £'000	Non-Interest Bearing Financial Liabilities £'000	Total £'000
Danish Krone	0	0	2,801	0	2,801
Euro	0	0	15,623	0	15,623
Sterling	962	0	30,547	796	30,713
Swedish Krona	0	0	776	0	776
Swiss Franc	0	0	4,740	0	4,740
	<u>962</u>	<u>0</u>	<u>54,487</u>	<u>796</u>	<u>54,653</u>

##### Liquidity risk

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

	15 August 2019 £'000	15 August 2018 £'000
Within one year:		
Distribution payable	459	575
Other creditors	66	221
	<u>525</u>	<u>796</u>

#### 15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	15 August 2019		15 August 2018	
	Assets (£'000)	Liabilities (£'000)	Assets (£'000)	Liabilities (£'000)
Level 1 - Quoted prices	67,320	0	54,356	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	0	0	0	0
	<u>67,320</u>	<u>0</u>	<u>54,356</u>	<u>0</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

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

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

**IFSL TRADE UNION UNIT TRUST**

**DISTRIBUTION TABLE**

**For the period from 16 August 2018 to 15 February 2019**

Net revenue to 15-Feb-19 pence per unit	Distribution paid 15-Apr-19 pence per unit	Distribution paid 15-Apr-18 pence per unit
0.6482p	0.6482p	0.5705p

**For the period from 16 February 2019 to 15 August 2019**

Net revenue to 15-Aug-19 pence per unit	Distribution payable 15-Oct-19 pence per unit	Distribution paid 15-Oct-18 pence per unit
5.0936p	5.3094p	7.5658p

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