

# PHOENIX UNIT TRUST MANAGERS

## MANAGER'S ANNUAL REPORT

For the year: 1 October 2021 to 30 September 2022

### PUTM BOTHWELL EURO SOVEREIGN FUND





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\*These collectively comprise the Authorised Fund Manager's Report.

# Investment review

## Dear Investor

Welcome to the PUTM Bothwell Euro Sovereign Fund annual report for 12 months to 30 September 2022.

## Performance Review

Over the review period, the PUTM Bothwell Euro Sovereign Fund returned -13.6%. (Source: FactSet, Gross of AMC, GBP, based on the movement in the Cancellation Price for 12 months to 30/09/2022). This was compared with a return of -13.5% by its benchmark index. (Source: Datastream, JP Morgan EMU AAA All Maturities Index, Total Return, GBP for 12 months to 30/09/2022).

In the table below you can see how the Fund performed against its benchmark index.

## Standardised Past Performance

	Sep 21-22 % growth	Sep 20-21 % growth	Sep 19-20 % growth	Sep 18-19 % growth	Sep 17-18 % growth
PUTM Bothwell Euro Sovereign Fund	-13.6	-8.0	2.5	7.4	2.2
Benchmark Index	-13.5	-7.8	2.1	7.6	1.9

Source: Fund performance is Aberdeen Standard Investments, Gross of AMC, GBP, based upon the movement in the Cancellation Price to 30 September for each year. Benchmark Index performance is Datastream, JP Morgan EMU AAA All Maturities Index, Total Return, GBP to 30 September for each year.

## Past performance is not a guide to future performance.

Please note that all past performance figures are calculated without taking the initial charge into account.

**The value of units and the income from them can go down as well as up and is not guaranteed. You may not get back the full amount invested.**

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# Investment review

## Portfolio and Market Review

The end of 2021 saw continued volatility across rates and inflation markets. The narrative around central bank policy accommodation continued to evolve, amid eye-wateringly high inflation reports, debate around the impact of Covid-19's Omicron variant, and further volatility in energy commodity markets. The Bank of England (BoE) was the first major central bank to raise rates since the pandemic. It increased its base rate from 0.10% to 0.25% in December and followed with six more consecutive rate increases, as UK annual consumer price inflation continued to climb, hitting a fresh 40-year high of 10.1% in July. The third quarter of 2022 extended a poor year for bonds amid inflationary pressures, rising interest rates and increasing economic concerns. UK gilts suffered a torrid spell in late September after unfunded tax cuts triggered a sell-off and the risk of pension funds being caught in a vicious circle of margin calls and forced sales. The BoE ultimately stepped in to steady the market by pledging to buy 65 billion pounds of bonds and delaying the start of quantitative tightening. The UK economy continued to stutter late in the period, with late-September turmoil in the gilt and mortgage markets adding to pressure from inflation. The BoE mirrored the US Federal Reserve (Fed) by raising rates twice in the quarter. The 50 basis point increases in August and September lifted the benchmark to 2.25%, the highest since 2008. Consumer price inflation still reached 10.1% in both July and September, levels unmatched since 1982.

Over the final quarter of 2021, performance was flat relative to the benchmark. Duration and curve trading were positive while the Fund's position in short UK inflation incurred losses. Our US curve flattener strategy was the top performer. The Fund also generated gains in tactical strategies like our long UK duration and short 10-year Germany position. Intra-country spread strategies were negative; the Fund's holdings of new NextGenerationEU issuance widened against German bunds. The Fund's shortened duration position overall helped towards the end of the quarter as bonds came under pressure globally.

Curve trading and inflation positions were disappointing over the first quarter of 2022. We took the decision to exit all inflation positions over the quarter as the outlook became too uncertain and while valuations were compelling for the strategy, the position had reached our stop loss target. Across curve strategies, two positions hurt performance. The short-dated forward steepening strategy in the UK suffered as the Monetary Policy Committee and central banks globally pushed front-dated expectations to extremes. Our German futures steepening strategy in 10s30s also suffered as the market tried to re-price interest rate hikes into the European complex. It was a strong quarter for our duration and country strategies, with short duration positions in Europe and US adding positively to portfolio performance. Tactical trading in duration strategies was also positive and helped offset losses. Additionally, our holdings in NextGeneration EU bonds Germany suffered, as European spreads drifted wider.

Performance was broadly in line with the benchmark in the second quarter, a period that was characterised by violent swings in yields and curves, presenting challenging conditions for many of our core holdings. Duration trading was positive, with losses coming from curve strategies and cross-market positions. We began building long duration exposure in the front end of the UK curve, as we believed this part of the curve was pricing in an overly hawkish path of UK interest rates. Taken in isolation, our short-dated positions suffered significantly as market expectations for policy rates surged. However, tactical trading in futures helped mitigate losses as yields moved higher, allowing the Fund to pivot longer and shorter and

capture some of the swings in yields. Indeed, the combined front end UK versus 10-year yield position was the portfolio's largest positive contributor over the quarter. A long Australian duration position versus US Treasuries also performed well, as US yields underperformed significantly.

The Fund ended the period strongly relative to its benchmark in the third quarter. Violent swings in yields and curves, presented challenging conditions but provided opportunities for tactical duration trading and cross-market strategies. Roughly half of the outperformance for the quarter can be attributed to duration and cross-market strategies, with curve positioning contributing small negatives. Short 10-year Germany, short UK 10-year versus US five-year and long Australia versus short bunds were the top-performing positions. Our overall short duration position also helped considerably. Curve trading was more mixed as our European forward steepener performed poorly. US trades were positive, as the Fund used the most liquid contracts to position against extreme pricing, and we closed this trade at a profit in September. Tactical trading was beneficial, primarily in 10-year futures, which provided a liquid tool to try to capture some of the extreme volatility. Meanwhile, bond weakness was driven by UK developments, which also affected the European bond complex.

## Market Outlook and Fund Strategy

Markets are contending with the most aggressive tightening in policy rates in living memory. Inflation is extremely high and picking the peak in yields feels like a fool's errand when faced with the current volatility. However, from a longer-term perspective, valuations are more appealing. Government bond yields are at their most attractive levels for years. It would be remiss to ignore significant economic fragilities that have built up since the global financial crisis as central bank balance sheets have ballooned. This has forced investors into ever-riskier asset classes, while supporting anaemic recoveries in many G10 economies. We believe this fragility will resurface in dramatic fashion in the coming quarters. The pace of tightening has been far more severe this time around. Taking the US as an example, the Fed began tightening in March 2022 from 0.25%. It has lifted the target rate a full 3% so far and is priced to take interest rates towards 4.25% by December. During the last hiking cycle, it took three years for the Fed funds rate to be increased by 2.25%. The current pace of monetary tightening, into a global financial system conditioned on easier policy, is unprecedented. Taking a longer-term view, we believe that government bonds already look attractively priced. UK 10-year yields above 4% are the highest since 2011 and offer value over the medium term. In the short term, we are more pragmatic; elevated inflation, exploding supply and weak sentiment are high hurdles to bond market outperformance. There is too much uncertainty in the near term about central bank activity, both in the US and globally. The pickup in global government bond supply next year is remarkable if current forecasts are taken at face value, and this might require a greater risk premium from investors. However, we believe the rise in yields globally will short-circuit the economic cycle. The faster and more aggressive the rise in yields, the sooner the economic slowdown will occur. As economic growth collapses, we should see greater demand for government bonds as investors rush to safe haven protection, followed by a bid for front-dated yields as central banks signal a pause in the rate-hiking cycle. We believe the inverse relationship between risk markets and government bonds will re-assert itself before the end of 2022. While staying patient, our appetite for global government bonds and duration is steadily increasing.

# Portfolio of investments (unaudited)

## Investments held at 30 September 2022

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Government Bonds (30/09/21 – 91.73%)</b>		<b>98.20</b>
	<b>Germany (30/09/21 – 66.92%)</b>		<b>77.62</b>
€468,900	Bundesrepublik Deutschland 0% 07/10/2022	411	1.07
€532,700	Bundesrepublik Deutschland 0% 10/03/2023	465	1.21
€1,465,900	Bundesrepublik Deutschland 0% 15/09/2023	1,267	3.31
€791,800	Bundesrepublik Deutschland 0% 10/04/2026	653	1.71
€728,000	Bundesrepublik Deutschland 0% 15/08/2026	596	1.56
€657,100	Bundesrepublik Deutschland 0% 16/04/2027	529	1.38
€625,100	Bundesrepublik Deutschland 0% 15/11/2027	498	1.30
€674,900	Bundesrepublik Deutschland 0% 15/11/2028	526	1.37
€1,030,800	Bundesrepublik Deutschland 0% 15/08/2029	790	2.06
€777,100	Bundesrepublik Deutschland 0% 15/02/2030	590	1.54
€994,800	Bundesrepublik Deutschland 0% 15/08/2030	747	1.95
€178,600	Bundesrepublik Deutschland 0% 15/08/2030	134	0.35
€1,146,800	Bundesrepublik Deutschland 0% 15/02/2031	851	2.22
€916,900	Bundesrepublik Deutschland 0% 15/08/2031	673	1.76
€243,923	Bundesrepublik Deutschland 0% 15/08/2031	179	0.47
€840,800	Bundesrepublik Deutschland 0% 15/02/2032	608	1.59
€658,400	Bundesrepublik Deutschland 0% 15/05/2035	438	1.14
€738,500	Bundesrepublik Deutschland 0% 15/05/2036	481	1.26
€297,800	Bundesrepublik Deutschland 0% 15/08/2050	147	0.38
€1,041,300	Bundesrepublik Deutschland 0% 15/08/2050	514	1.34
€476,800	Bundesrepublik Deutschland 0% 15/08/2052	226	0.59
€1,047,600	Bundesrepublik Deutschland 0.25% 15/02/2027	858	2.24
€660,600	Bundesrepublik Deutschland 0.25% 15/08/2028	525	1.37
€626,900	Bundesrepublik Deutschland 0.25% 15/02/2029	494	1.29
€1,100,100	Bundesrepublik Deutschland 0.4% 13/09/2024	941	2.46
€2,039,957	Bundesrepublik Deutschland 0.5% 15/02/2025	1,741	4.55
€1,175,400	Bundesrepublik Deutschland 0.5% 15/02/2026	988	2.58
€718,200	Bundesrepublik Deutschland 0.5% 15/08/2027	590	1.54
€597,800	Bundesrepublik Deutschland 0.5% 15/02/2028	487	1.27
€963,000	Bundesrepublik Deutschland 1% 15/08/2025	827	2.16
€940,700	Bundesrepublik Deutschland 1.25% 15/08/2048	689	1.80
€711,172	Bundesrepublik Deutschland 1.5% 15/02/2023	626	1.63
€756,800	Bundesrepublik Deutschland 1.5% 15/05/2024	663	1.73
€754,300	Bundesrepublik Deutschland 1.75% 15/02/2024	664	1.73
€886,850	Bundesrepublik Deutschland 2.5% 04/07/2044	827	2.16
€871,100	Bundesrepublik Deutschland 2.5% 15/08/2046	822	2.15
€462,000	Bundesrepublik Deutschland 3.25% 04/07/2042	475	1.24
€687,550	Bundesrepublik Deutschland 4% 04/01/2037	735	1.92
€433,950	Bundesrepublik Deutschland 4.25% 04/07/2039	488	1.27
€367,900	Bundesrepublik Deutschland 4.75% 04/07/2028	371	0.97
€673,400	Bundesrepublik Deutschland 4.75% 04/07/2034	751	1.96
€497,750	Bundesrepublik Deutschland 4.75% 04/07/2040	598	1.56
€558,000	Bundesrepublik Deutschland 5.5% 04/01/2031	618	1.61
€471,000	Bundesrepublik Deutschland 5.625% 04/01/2028	488	1.27
€458,731	Bundesrepublik Deutschland 6.25% 04/01/2024	425	1.11
€309,000	Bundesrepublik Deutschland 6.25% 04/01/2030	348	0.91
€367,900	Bundesrepublik Deutschland 6.5% 04/07/2027	388	1.01
€1,204,000	KFW 0.375% 09/03/2026	986	2.57
	<b>Netherlands (30/09/21 – 24.81%)</b>		<b>20.58</b>
€455,900	Netherlands (Government of) 0% 15/01/2024	391	1.02
€163,900	Netherlands (Government of) 0% 15/01/2026	135	0.35
€480,800	Netherlands (Government of) 0% 15/01/2027	386	1.01
€221,500	Netherlands (Government of) 0% 15/01/2029	168	0.44
€421,200	Netherlands (Government of) 0% 15/07/2030	310	0.81
€401,200	Netherlands (Government of) 0% 15/07/2031	288	0.75
€214,100	Netherlands (Government of) 0% 15/01/2038	127	0.33
€406,900	Netherlands (Government of) 0% 15/01/2052	180	0.47
€586,200	Netherlands (Government of) 0.25% 15/07/2025	492	1.28
€352,700	Netherlands (Government of) 0.25% 15/07/2029	271	0.71

# Portfolio of investments (unaudited)

## Investments held at 30 September 2022

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Netherlands (continued)</b>		
€557,000	Netherlands (Government of) 0.5% 15/07/2026	463	1.21
€168,100	Netherlands (Government of) 0.5% 15/07/2032	123	0.32
€468,700	Netherlands (Government of) 0.5% 15/01/2040	292	0.76
€455,900	Netherlands (Government of) 0.75% 15/07/2027	375	0.98
€430,700	Netherlands (Government of) 0.75% 15/07/2028	349	0.91
€552,000	Netherlands (Government of) 1.75% 15/07/2023	485	1.27
€531,200	Netherlands (Government of) 2% 15/07/2024	468	1.22
€470,200	Netherlands (Government of) 2.5% 15/01/2033	415	1.08
€612,100	Netherlands (Government of) 2.75% 15/01/2047	569	1.49
€595,300	Netherlands (Government of) 3.75% 15/01/2042	618	1.61
€565,300	Netherlands (Government of) 4% 15/01/2037	576	1.50
€397,600	Netherlands (Government of) 5.5% 15/01/2028	406	1.06
	<b>Money Market Funds (30/09/21 – 5.27%)</b>		<b>1.12</b>
€301	Aberdeen Standard Liquidity Fund (Lux) – Euro Fund Class Z-3+	260	0.68
€169	Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Class Z-1+	169	0.44
	<b>Supranational Bonds (30/09/21 – 2.06%)</b>		
	<b>Forward Foreign Exchange Contracts (30/09/21 – 0.00%)</b>		<b>0.03</b>
GBP 1,600,000	GBP Forward Currency Contract 05/10/2022	1,600	4.17
(EUR 1,807,575)	EUR Forward Currency Contract 05/10/2022	(1,587)	(4.14)
	<b>Futures (30/09/21 – (0.09)%)</b>		<b>0.10</b>
3	CBT US Ultra Bond Future December 2022	(13)	(0.03)
48	CBT US 5 year Note Future December 2022	(122)	(0.32)
(23)	CBT US 10 year Ultra Future December 2022	86	0.22
6	Eurex Euro Bund Future December 2022	6	0.02
(11)	ICF Long Gilt Future December 2022	80	0.21
	<b>Inflation Rate Swaps – Capital Protection (30/09/21 – (0.29)%)</b>		
	<b>Interest Rate Swaps – Capital Protection (30/09/21 - 0.00%)</b>		<b>(1.68)</b>
GBP 6,700,000	Morgan Stanley 1.041% 08/12/2024	128	0.33
(GBP 6,700,000)	Morgan Stanley SONIA 08/12/2024	(697)	(1.82)
AUD 1,890,000	Morgan Stanley 4.298% 05/07/2032	175	0.46
(AUD 1,890,000)	Morgan Stanley BBSW 05/07/2032	(188)	(0.49)
AUD 1,890,000	Morgan Stanley 4.143% 15/07/2032	168	0.44
(AUD 1,890,000)	Morgan Stanley BBSW 15/07/2032	(188)	(0.49)
EUR 1,370,000	Morgan Stanley 2.236% 02/08/2037	201	0.52
(EUR 1,370,000)	Morgan Stanley EURIB 02/08/2037	(285)	(0.74)
(EUR 540,000)	Morgan Stanley 1.606% 02/08/2057	(140)	(0.37)
EUR 540,000	Morgan Stanley EURIB 02/08/2057	184	0.48
	<b>Portfolio of investments ^</b>	37,460	97.77
	<b>Net other assets</b>	854	2.23
	<b>Net assets</b>	38,314	100.00

Unless otherwise stated, all investments with the exception of Forwards and Interest Rate Swaps are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

The counterparty for the Futures is Morgan Stanley.

The counterparty for the Forward Foreign Exchange Contract is BNP Paribas.

The counterparty for the Interest Rate Swaps is Morgan Stanley.

^ includes investment liabilities

+ SICAVs (open ended investment schemes registered outside the UK).

Credit Ratings	£000	%
Investment grade	37,212	97.13
Unrated	411	1.07
Total investment in bonds	37,623	98.20

# Top ten purchases and sales

For the year ended 30 September 2022

Purchases	Cost £000	Sales	Proceeds £000
Aberdeen Standard Liquidity Fund (Lux) – Euro Fund Class Z-3	7,959	Aberdeen Standard Liquidity Fund (Lux) – Euro Fund Class Z-3	9,702
Bundesrepublik Deutschland 0.5% 15/02/2025	2,939	Bundesrepublik Deutschland 0.5% 15/02/2025	3,920
Bundesrepublik Deutschland 4.75% 04/07/2034	2,366	Bundesrepublik Deutschland 4.75% 04/07/2034	2,809
Bundesrepublik Deutschland 0.5% 15/02/2026	2,275	Bundesrepublik Deutschland 0% 07/10/2022	2,358
Bundesrepublik Deutschland 2.5% 15/08/2046	2,273	Bundesrepublik Deutschland 1% 15/08/2024	2,168
Bundesrepublik Deutschland 0% 15/05/2036	2,234	Bundesrepublik Deutschland 0% 15/08/2050	1,812
Netherlands (Government of) 3.75% 15/01/2042	2,190	Bundesrepublik Deutschland 0% 15/05/2036	1,665
Bundesrepublik Deutschland 0% 15/02/2031	2,125	Bundesrepublik Deutschland 2.5% 04/07/2044	1,370
Bundesrepublik Deutschland 1.25% 15/08/2048	1,946	Netherlands (Government of) 3.75% 15/01/2042	1,303
Netherlands (Government of) 2.75% 15/01/2047	1,692	Bundesrepublik Deutschland 0.5% 15/02/2026	1,224
<b>Subtotal</b>	27,999	<b>Subtotal</b>	28,331
<b>Other purchases</b>	49,935	<b>Other sales</b>	46,943
<b>Total purchases for the year</b>	<b>77,934</b>	<b>Total sales for the year</b>	<b>75,274</b>



# Statistical information

## Comparative table

	30/09/22 pence	Class 'B Accumulation 30/09/21 pence	30/09/20 pence
<b>Change in net assets per unit</b>			
Opening net asset value per unit	125.51	136.56	133.19
Return before operating charges*	(16.71)	(10.99)	3.45
Operating charges	(0.07)	(0.06)	(0.08)
Return after operating charges*	(16.78)	(11.05)	3.37
Distributions on accumulation units	(0.19)	(0.05)	(0.25)
Retained distributions on accumulation units	0.19	0.05	0.25
Closing net asset value per unit	108.73	125.51	136.56
*after direct transaction costs of: ^	0.03	–	–

## Performance

Return after charges	(13.37%)	(8.09%)	2.53%
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## Other information

Closing net asset value (£000)	38,314	42,101	56,656
Closing number of units	35,237,020	33,542,859	41,488,749
Operating charges	0.06%	0.05%	0.06%
Direct transaction costs	0.03%	0.00%	0.00%

## Prices<sup>+</sup>

Highest unit price (pence)	126.96	139.37	139.87
Lowest unit price (pence)	107.87	124.14	122.59

^ The direct transaction costs includes commission on futures and clearing house fees on swaps.

<sup>+</sup>High and low price disclosures are based on quoted unit prices. Therefore, the opening and closing NAV prices may fall outside the high/low price threshold.

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# Statistical information

## Investment objective

The Fund aims to provide a total return (a combination of capital growth and income) by outperforming the benchmark (before fees) by 0.3% to 0.8% per annum over any given 3 year period.

The benchmark is the JPM Euro Gov Bond AAA All Mats Index (the "Index").

## Investment policy

The Fund aims to achieve its objective by investing over 70% in fixed, floating rate index linked securities issued by supranational bodies and government bodies across all maturities that are denominated in Euros. The Fund will invest in a broad range interest bearing securities selected from issues denominated in Euros and with the ability to have some exposure to other currencies.

The Fund may also invest in other transferable securities, units in collective investment schemes and may hold up to 20% of its assets in money market instruments, deposits, cash and near cash. The Fund may, at the Investment Adviser's discretion, hold in excess of 20% of its assets in money market instruments, deposits, cash near cash on a temporary basis in exceptional market circumstances, if deemed to be in the best interests of Unitholders.

Derivatives may be used for efficient portfolio management and hedging only.

## Investment strategy

Although at least 70% of the Fund is invested in components of the Index, the Fund is actively managed.

The Investment Adviser uses a stock selection model to select individual holdings, where they believe there is misalignment in the assessment of growth prospects and creditworthiness of the holdings and that of the market, while giving consideration of future economic and business conditions. The Fund is managed within constraints, so that divergence from the Index is controlled.

The Fund's portfolio may, therefore, be similar to the components of the Index.

## Revenue distribution and pricing

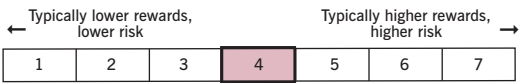
Units of the Fund are available as Class 'B' accumulation units (where revenue is reinvested to enhance the unit price). There will be two potential distributions in each accounting year: an interim distribution as at 31 March and a final distribution as at 30 September.

At each distribution the net revenue after deduction of expenses, arising in the preceding six months from the investments of the Fund, is apportioned amongst the unitholders. Unitholders receive a tax voucher giving details of the distribution and the Manager's Report no later than two months after these dates.

# Statistical information

## Risk and reward profile

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.



This Fund is ranked at 4 (30/09/21: 4) because funds of this type have experienced average rises and falls in value in the past.

The above figure applies to the following unit class:

- Class 'B' Accumulation

Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. Please note the Fund's risk category may change in the future. The indicator does not take into account the following risks of investing in this Fund:

- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts.
- Although the Investment Manager will use currency trades to reduce exchange rate risk on investments not priced in Euros, this may not completely eliminate the Fund's exchange rate risk.
- The Fund may use derivatives to reduce risk or cost or to generate additional capital or income at low risk, or to meet its investment objective.

For more information on the Risk and Reward profiles of our Funds, please refer to the most up to date relevant fund and Unit Class Key Investor Information Documents (KIIDs). These are available online at [www.phoenixunittrust.co.uk](http://www.phoenixunittrust.co.uk).

# Annual financial statements

For the year ended 30 September 2022

## Statement of total return

	Notes	30/09/22		30/09/21	
		£000	£000	£000	£000
Income					
Net capital losses	4		(5,978)		(4,341)
Revenue	5	93		53	
Expenses	6	(20)		(22)	
Interest payable and similar charges		(5)		(2)	
Net revenue before taxation		68		29	
Taxation	7	–		–	
Net revenue after taxation			68		29
Total deficit before distributions			(5,910)		(4,312)
Distributions	8		(70)		(32)
Change in unitholders' funds from investment activities			(5,980)		(4,344)

## Statement of change in unitholders' funds

	30/09/22		30/09/21	
	£000	£000	£000	£000
Opening net assets		42,101		56,656
Amounts receivable on issue of units	7,514		618	
Amounts payable on cancellation of units	(5,388)		(10,848)	
		2,126		(10,230)
Change in unitholders' funds from investment activities		(5,980)		(4,344)
Retained distributions on accumulation units		67		19
Closing net assets		38,314		42,101

# Annual financial statements

As at 30 September 2022

## Balance sheet

	Notes	30/09/22 £000	30/09/21 £000
<b>Assets:</b>			
<b>Fixed assets:</b>			
Investments		38,281	41,727
<b>Current assets:</b>			
Debtors	9	1,765	349
Cash and bank balances	10	1,148	243
Total current assets		2,913	592
Total assets		41,194	42,319
<b>Liabilities:</b>			
Investment liabilities		(821)	(179)
<b>Creditors:</b>			
Bank overdraft	11	(345)	(2)
Other creditors	12	(1,714)	(37)
Total creditors		(2,059)	(39)
Total liabilities		(2,880)	(218)
Net assets		38,314	42,101
Unitholders' funds		38,314	42,101

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# Notes to the financial statements

## Note 1 Accounting policies

### (a) Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in compliance with Financial Reporting Standard (FRS 102) and in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by The Investment Association ('IA') in May 2014, and as amended in June 2017.

These financial statements are prepared on a going concern basis. The Manager has made an assessment of the Fund's ability to continue as a going concern, and is satisfied it has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made for a period of 12 months from when the financial statements are authorised for issue and considers liquidity, declines in global capital markets, known redemption levels, expense projections and key service provider's operational resilience.

### (b) Valuation of investments

The quoted investments of the Fund have been valued at bid dealing prices as at close of business on 30 September 2022, the last valuation point in the accounting year, in accordance with the Trust Deed.

Investments in collective investment schemes have been valued at bid price for dual priced funds or the single price for single priced funds. Where these investments are managed by the Manager or an associate of the Manager, the holdings have been valued at the cancellation price for dual priced funds or the single price for single priced funds. This price is the last available published price at the year end.

Derivatives are valued as at close of business on 30 September 2022, the last valuation point of the accounting year.

Exchange traded derivatives are priced at fair value, which is deemed to be the bid price.

Over-the-counter derivatives are priced at fair value using valuation models or data sourced from market data providers.

### (c) Foreign exchange

Transactions in foreign currencies during the year are translated into Sterling (the functional currency of the Fund), at the rates of exchange ruling on the transaction date. Amounts held in foreign currencies have been translated at the rate of exchange ruling at close of business, 30 September 2022, the last valuation point in the accounting year.

### (d) Revenue

Interest receivable on bank deposits is accounted for on a receipts basis and money market funds is accounted for on an accruals basis. Interest receivable from debt securities is accounted for on an effective interest rate basis. Accrued interest purchased or sold is excluded from the cost of the security and is accounted for as revenue.

Any commission arising from stocklending is recognised on an accruals basis and is disclosed net of fees.

Interest received from or paid to the Fund from over-the-counter derivatives designed to protect income is treated as revenue. Interest received from or paid to the Fund from over-the-counter derivatives designed to protect capital is treated as capital.

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# Notes to the financial statements

## Note 1 Accounting policies (continued)

### (e) Expenses

Expenses are accounted for on an accruals basis. Expenses of the Fund are charged against revenue, except for the safe custody charge and costs associated with the purchase and sale of investments, which are charged to capital.

### (f) Taxation

The Fund satisfied the rules of SI 2006/964, Reg 19 throughout the period. All distributions made are therefore made as interest distributions. The Fund has no corporate tax liability as interest distributions are tax deductible.

### (g) Deferred taxation

Deferred tax is provided at current rates of corporation tax on all timing differences which have originated but not reversed by the Balance sheet date. Deferred tax is not recognised on permanent differences. Deferred tax assets are recognised only to the extent that the Manager considers it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

## Note 2 Distribution policies

### (a) Basis of distribution

Revenue produced by the Fund's investments accumulates during each accounting period. If, at the end of each accounting period, revenue exceeds expenses, the net revenue of the Fund is available to be distributed/accumulated to unitholders.

The Fund is more than 60% invested in qualifying investments (as defined by SI 2006/964, Reg 20) and will pay an interest distribution.

### (b) Unclaimed distributions

Distributions remaining unclaimed after six years are paid into the Fund as part of the capital property.

### (c) Interest from debt securities

Future cash flows on all assets are considered when calculating revenue on an effective interest rate basis and where, in the Manager's view there is doubt as to the final maturity value, an estimate of the final redemption proceeds will be made in determining those cash flows. The impact of this will be to reduce the revenue from debt securities, and therefore the revenue distributed, whilst preserving capital within the Fund.

### (d) Expenses

In determining the net revenue available for distribution, charges in relation to the safe custody, of investments are ultimately borne by capital.

## Note 3 Risk management policies

The risks arising from the Fund's financial instruments are market price risk, interest rate risk, foreign currency risk, liquidity risk, credit risk and counterparty risk. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

### (a) Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market fluctuations which are monitored by the Manager in pursuit of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Prospectus and in the Collective Investment Schemes Sourcebook ("the Sourcebook") mitigates the risk of excessive exposure to any particular type of security or issuer.

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# Notes to the financial statements

## **Note 3 Risk management policies (continued)**

### **(b) Interest rate risk**

The Fund's assets are comprised of mainly fixed interest rate securities. There is therefore a risk that the capital value of investments will vary as a result of the market's sentiment regarding future interest rates.

Expectations of future rates may result in an increase or decrease in the value of investments held. In general, if interest rates rise the revenue potential of the Fund also rises but the value of fixed interest rate securities will decline. A decline in interest rates will in general have the opposite effect.

Any transactions in fixed interest securities must be used in accordance with the investment objective of the Fund and must be deemed by the Investment Manager to be economically appropriate. Regular production of portfolio risk reports highlight concentrations of risk, including interest rate risk, for this Fund.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

### **(c) Foreign currency risk**

All the Fund's investment portfolio is invested in overseas securities and the Balance sheet can be (significantly) affected by movements in foreign exchange rates. The Fund may be subject to short term exposure to exchange rate movements between placing the purchase or sale of securities and agreeing a related currency transaction albeit usually the two transactions are agreed at the same time.

Any such currency transactions must be used in accordance with the investment objective of the Fund and must be deemed by the Investment Manager to be economically appropriate. Regular production of portfolio risk reports highlight concentrations of risk, including currency risk, for the Fund.

### **(d) Liquidity risk**

The Fund's assets are comprised of mainly readily realisable securities. If insufficient cash is available to finance unitholder redemptions then securities held by the Fund may need to be sold. The risk of low market liquidity, through reduced trading volumes, may affect the ability of the Fund to trade financial instruments at values previously indicated by financial brokers. From time to time, liquidity may also be affected by stock specific or economic events. To manage these risks the Manager performs market research in order to achieve the best price for any transactions entered into on behalf of the Fund. All stocks are valued daily but those stocks identified as being less liquid are reviewed on a regular basis for pricing accuracy.

### **(e) Credit risk**

At the Balance sheet date some 98.20% (30/09/21: 91.73%) of the Fund's assets were held in government bonds. Supranational and government bonds involve the risk that the bond issuer will be unable to meet its liability to pay interest or redeem the bond. The Fund Manager selects bonds taking into account the credit rating, bearing in mind the Fund's objective.

### **(f) Counterparty risk**

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. This list is reviewed annually.



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# Notes to the financial statements

## Note 3 Risk management policies (continued)

### (g) Derivatives

Derivative transactions may be used by the Fund for the purposes of meeting its investment objectives and also for hedging. In doing so the Manager may make use of a variety of derivative instruments in accordance with the Sourcebook. The use of derivatives for investment purposes means that the net asset value of the Fund may at times have high volatility, although derivatives will not be used with the intention of raising the risk profile of the Fund. Where derivatives are used for hedging this will not compromise the risk profile of the Fund. Use of derivatives will not knowingly contravene any relevant investment objective or limits.

The Manager has used exchange traded futures to hedge the value of those assets denominated in foreign currency.

The Manager has used forward foreign currency contracts to hedge the portfolio where assets are denominated in foreign currency. The purpose of undertaking these contracts is to protect the portfolio as far as possible from a movement in the value of exchange rates.

Interest rate swaps have been used to hedge the interest rate risk of holding fixed rate bonds during the period.

The derivative counterparties are shown at the bottom of the Portfolio of investments on page 5.

## Note 4 Net capital losses

The net capital losses during the year comprise:

	30/09/22	30/09/21
	£000	£000
Losses on non-derivative securities	(5,627)	(3,987)
Losses on derivative contracts	(375)	(361)
Currency gains/(losses)	14	(25)
Handling charges	(4)	(2)
Interest on derivative contracts	14	34
Net capital losses	<u>(5,978)</u>	<u>(4,341)</u>

## Note 5 Revenue

	30/09/22	30/09/21
	£000	£000
Interest on debt securities	89	53
Stocklending commission	2	—
Bank interest	3	—
Liquidity interest	(1)	(1)
Income on derivative contracts	<u>—</u>	<u>1</u>
Total revenue	<u>93</u>	<u>53</u>

## Notes to the financial statements

### Note 6 Expenses

	30/09/22 £000	30/09/21 £000
(a) Payable to the Manager or associates of the Manager and agents of either of them:		
Manager's periodic charge	2	5
(b) Payable to the Trustee or associates of the Trustee and agents of either of them:		
Trustee's fees	2	3
(c) Other expenses:		
Audit fee	10	10
Safe custody charges	2	3
Printing & stationery	1	1
Professional fees	3	–
	16	14
Total expenses	20	22

### Note 7 Taxation

	30/09/22 £000	30/09/21 £000
(a) Analysis of tax charge for the year	–	–
Total taxation (Note 7(b))	–	–
(b) Factors affecting the tax charge for the year		
The tax assessed for the year is lower than that calculated when the standard rate of corporation tax for Authorised Unit Trusts is applied to total revenue return. The differences are explained below:		
Net revenue before taxation	68	29
Corporation tax at 20% (30/09/21: 20%)	14	6
Effects of:		
Deductible interest distributions	(14)	(6)
Total tax charge for the year (Note 7(a))	–	–

Authorised Unit Trusts are exempt from tax on capital gains in the UK.

- (c) Provision for deferred taxation  
No deferred tax asset has been recognised in the year or the prior year.

# Notes to the financial statements

## Note 8 Distributions

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

	30/09/22 £000	30/09/21 £000
Interim	–	9
Final	67	10
	<u>67</u>	<u>19</u>
Amounts deducted on cancellation of units	12	14
Amounts added on issue of units	(9)	(1)
	<u>70</u>	<u>32</u>
Net distribution for the year	68	29
Expenses taken to capital	2	3
	<u>70</u>	<u>32</u>

Details of the distribution per unit are set out in the tables on page 23.

## Note 9 Debtors

	30/09/22 £000	30/09/21 £000
Creations awaiting settlement	100	–
Sales awaiting settlement	1,442	–
Accrued income	222	287
Liquidity interest receivable	1	–
Interest on derivative contracts	–	62
	<u>1,765</u>	<u>349</u>

## Note 10 Cash and bank balances

	30/09/22 £000	30/09/21 £000
Cash and bank balances	103	98
Amounts held at futures clearing houses	316	86
Swaps collateral	729	59
	<u>1,148</u>	<u>243</u>

## Note 11 Bank overdraft

	30/09/22 £000	30/09/21 £000
Amounts due to futures clearing houses	266	–
Swaps collateral	79	2
	<u>345</u>	<u>2</u>

## Note 12 Other creditors

	30/09/22 £000	30/09/21 £000
Cancellations awaiting settlement	1,700	24
Manager's periodic charge payable	1	2
Trustee's fees payable	1	1
Safe custody charges payable	1	–
Audit fee payable	9	10
Handling charges payable	2	–
	<u>1,714</u>	<u>37</u>

# Notes to the financial statements

## Note 13 Reconciliation of units

	Class 'B' Accumulation
Opening units issued at 01/10/21	33,542,859
Unit movements in year:	
Units issued	6,411,466
Units cancelled	(4,717,305)
Closing units at 30/09/22	<u>35,237,020</u>

## Note 14 Contingencies and commitments

At 30 September 2022 the Fund had no outstanding calls on partly paid shares, no potential underwriting commitments or any other contingent liabilities (30/09/21: £nil).

## Note 15 Stocklending

The total value of securities on loan at the Balance sheet date was £1,680,000 (30/09/21: £nil). Collateral was held in the following form:

	30/09/22 £000	30/09/21 £000
Government bonds	<u>1,764</u>	<u>–</u>
	<u>1,764</u>	<u>–</u>

The gross earnings and fees paid for the year were £2,011 (31/09/21: £nil) and £362 (30/09/21: £nil) respectively.

The gross earnings were split by the lending agent as follows:

- 82% to the Lender (PUTM Bothwell Euro Sovereign Fund)
- 8% to the Manager (Phoenix Unit Trust Managers Limited)
- 10% retained by the Lending Agent (eSec)

The counterparties for the securities on loan are shown in the appendix on page 29.

## Note 16 Related party transactions

The Manager is a related party to the Fund by virtue of its controlling influence.

The Manager is part of the Phoenix Group. Phoenix Life Limited which is also part of the Phoenix Group, is a material unitholder in the Fund and therefore a related party, holding 83.97% of the units at the year end (30/09/21: 85.71%).

Manager's periodic charge paid to the Manager, Phoenix Unit Trust Managers Limited, or its associates, is shown in Note 6(a) and details of the units issued and cancelled by the Manager are shown in the Statement of change in unitholders' funds and Note 8.

Any balances due to/from the Manager or its associates at 30 September 2022 in respect of these transactions are shown in Notes 9 and 12.

## Note 16 Financial instruments

In accordance with the investment objective, the Fund holds certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- derivative transactions which the Fund may also enter into, the purpose of which is to manage the currency and market risks arising from the Fund's investment activities; and
- cash and short term debtors and creditors arising directly from operations.

# Notes to the financial statements

## Note 17 Financial instruments

### Counterparty exposure

At 30 September 2022, the Fund had the following counterparty exposure on open Forward Foreign Exchange Contracts:

BNP Paribas £13,326

At 30 September 2022, the Fund had the following counterparty exposure on Credit Default Swaps:

Morgan Stanley £43,831

The economic exposure of future derivative contracts is equal to the market value. The value of exposure and the related counterparty are disclosed in the Portfolio of investments.

### Currency exposure

An analysis of the monetary assets and liabilities at the year end is shown below:

Currency	Net currency assets 30/09/22			Net currency assets 30/09/21		
	Monetary exposure	Non- monetary exposure	Total exposure	Monetary exposure	Non- monetary exposure	Total exposure
	£000	£000	£000	£000	£000	£000
Sterling	(1,422)	1,280	(142)	106	102	208
Australian Dollar	(89)	(33)	(122)	–	–	–
Euro	2,190	36,262	38,452	443	41,446	41,889
Swedish Krona	3	–	3	4	–	4
US Dollar	172	(49)	123	–	–	–
	854	37,460	38,314	553	41,548	42,101

Income received in other currencies is converted to Sterling on or near the date of receipt. The Fund does not hedge or otherwise seek to avoid, movement risk on accrued income.

### Interest profile

The interest rate risk profile of financial assets and liabilities at 30 September 2022 was:

Currency	Fixed rate financial assets	Floating rate financial assets	Financial assets not carrying interest	Total
	£000	£000	£000	£000
Sterling	–	366	1,781	2,147
Euro	37,623	1,036	1,714	40,373
US Dollar	–	172	86	258
Swedish Krona	–	3	–	3
	37,623	1,577	3,581	42,781

Currency	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	£000	£000	£000
Sterling	(6)	(2,283)	(2,289)
Australian Dollar	(89)	(33)	(122)
Euro	(250)	(1,671)	(1,921)
US Dollar	–	(135)	(135)
	(345)	(4,122)	(4,467)

# Notes to the financial statements

## Note 17 Financial instruments (continued)

### Interest profile (continued)

The interest rate risk profile of financial assets and liabilities at 30 September 2021 was:

Currency	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets not carrying interest £000	Total £000
Sterling	–	307	62	369
Euro	39,490	2,149	287	41,926
US Dollar	–	–	20	20
Swedish Krona	–	4	–	4
	39,490	2,460	369	42,319

Currency	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	(2)	(159)	(161)
Euro	–	(37)	(37)
US Dollar	–	(20)	(20)
	(2)	(216)	(218)

Interest rates earned/paid on deposits are earned/paid at a rate linked to SONIA (Sterling Overnight Index Average) or international equivalent. Interest was also earned on the investments in the Aberdeen Standard Liquidity Fund.

### Sensitivity analysis

#### Interest rate risk sensitivity

Changes in interest rates or changes in expectation of future interest rates may result in an increase or decrease in the the market value of the investments held. A one percent increase in interest rates (based on current parameters used by the Manager's Investment Risk department) would have the effect of decreasing the return and net assets by £2,816,079 (30/09/21: £3,515,414). A one percent decrease would have an equal and opposite effect.

#### Foreign currency risk sensitivity

A five percent increase in the value of the Fund's foreign currency exposure would have the effect of increasing the return and net assets by £1,922,846 (30/09/21: £2,094,673). A five percent decrease would have an equal and opposite effect.

#### Market price risk sensitivity

A five percent increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,873,001 (30/09/21: £2,077,411). A five percent decrease would have an equal and opposite effect.

## Note 18 Fair value of investments

The fair value of the Fund's investments has been determined using the hierarchy below.

This complies with the 'Amendments to FRS 102 - Fair value hierarchy disclosures' issued by the Financial Reporting Council in March 2016.

# Notes to the financial statements

## Note 18 Fair value of investments (continued)

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

### For the year ended 30/09/22

Level	1	2	3	Total
<b>Investment assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds	37,623	–	–	37,623
Derivatives	172	57	–	229
Money markets	429	–	–	429
	38,224	57	–	38,281
<b>Investment liabilities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Derivatives	(135)	(686)	–	(821)
	(135)	(686)	–	(821)

### For the year ended 30/09/21

Level	1	2	3	Total
<b>Investment assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds	39,490	–	–	39,490
Derivatives	20	–	–	20
Money markets	2,217	–	–	2,217
	41,727	–	–	41,727
<b>Investment liabilities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Derivatives	(57)	(122)	–	(179)
	(57)	(122)	–	(179)

## Note 19 Portfolio transaction costs

### For the year ended 30/09/22

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
<b>Analysis of total purchases costs</b>								
Bond transactions	69,023	–	–	–	–	–	–	69,023
Money markets	8,911	–	–	–	–	–	–	8,911
Total	77,934	–	–	–	–	–	–	77,934

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
<b>Analysis of total sales costs</b>								
Bond transactions	63,949	–	–	–	–	–	–	63,949
Money markets	10,709	–	–	–	–	–	–	10,709
Corporate actions	616	–	–	–	–	–	–	616
Total	75,274	–	–	–	–	–	–	75,274

# Notes to the financial statements

## Note 19 Portfolio transaction costs (continued)

The Fund has paid £10,457 as commission on purchases and sales of derivatives transactions for the year ended 30/09/22.

Commission, taxes and other expenses as % of average net assets:

Commission	0.03%
Taxes	0.00%
Other expenses	0.00%

### For the year ended 30/09/21

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
<b>Analysis of total purchases costs</b>								
Bond transactions	11,943	–	–	–	–	–	–	11,943
Money markets	7,076	–	–	–	–	–	–	7,076
<b>Total</b>	<b>19,019</b>	<b>–</b>		<b>–</b>		<b>–</b>		<b>19,019</b>

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
<b>Analysis of total sales costs</b>								
Bond transactions	21,549	–	–	–	–	–	–	21,549
Money markets	6,728	–	–	–	–	–	–	6,728
Corporate actions	1,297	–	–	–	–	–	–	1,297
<b>Total</b>	<b>29,574</b>	<b>–</b>		<b>–</b>		<b>–</b>		<b>29,574</b>

The Fund has paid £1,371 as commission on purchases and sales of derivatives transactions for the year ended 30/09/21.

Commission, taxes and other expenses as % of average net assets:

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

The purchases and sales of securities incurred no direct transaction costs during the year or prior year.

Portfolio transaction costs are incurred by the Fund when buying and selling underlying investments. These costs vary depending on the class of investment, country of exchange and method of execution.

These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: "Dealing spread" - the difference between buying and selling prices of the underlying investments.

At the Balance sheet date the portfolio dealing spread was 0.06% (30/09/21: 0.07%) being the difference between the respective bid and offer prices for the Fund's investments.



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## Distribution tables

For the year ended 30 September 2022

### Interest distributions

#### Interim distribution in pence per unit

Group 1: units purchased prior to 1 October 2021

Group 2: units purchased 1 October 2021 to 31 March 2022

	Gross income	Equalisation	2022 pence per unit paid 31 May	2021 pence per unit paid 31 May
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#### Class 'B' Accumulation

Group 1	—	—	—	0.0224
Group 2	—	—	—	0.0224

#### Final distribution in pence per unit

Group 1: units purchased prior to 1 April 2022

Group 2: units purchased 1 April 2022 to 30 September 2022

	Gross income	Equalisation	2022 pence per unit payable 30 Nov	2021 pence per unit paid 30 Nov
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#### Class 'B' Accumulation

Group 1	0.1888	—	0.1888	0.0285
Group 2	0.1867	0.0021	0.1888	0.0285

### Equalisation

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

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## Responsibilities of the manager and the trustee

- a) The Manager of the Fund is required by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('the Sourcebook') to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund at the end of that period and the net revenue or expense and the net gains or losses on the property of the Fund for the period then ended.

In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable;
- state whether applicable accounting standards have been followed subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Fund in accordance with the Trust Deed, the Prospectus and the Sourcebook, maintain proper financial records to enable them to ensure that the financial statements comply with the Statement of Recommended Practice for Authorised Funds as issued by the IA in May 2014 (amended June 2017) and the Sourcebook and take reasonable steps for the prevention and detection of fraud and other irregularities.

- b) The Depositary in its capacity as Trustee of the PUTM Bothwell Euro Sovereign Fund 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 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.

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## Trustee's report and directors' statement

### **Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of the PUTM Bothwell Euro Sovereign Fund ("the Trust") for the Period Ended 30th September 2022.**

Having carried out such procedures as we considered 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.

London  
27 January 2023

HSBC Bank plc

### **Directors' statement**

In accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority, we hereby certify the report on behalf of the Directors of Phoenix Unit Trust Managers Limited.

Birmingham  
27 January 2023

Craig Baker, Director  
Brid Meaney, Director

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# Independent auditor's report to the unitholders of the PUTM Bothwell Euro Sovereign Fund

## Opinion

We have audited the financial statements of the PUTM Bothwell Euro Sovereign Fund ("the Fund") for the year ended 30 September 2022 which comprise the Statement of Total Return, the Statement of Change in Unitholders' Funds, the Balance Sheet, the Distribution Tables and the related notes, including a summary of significant accounting policies. 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 to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 September 2022 and of the net revenue and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) 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

In auditing the financial statements, we have concluded that the Fund Manager's ("the Manager") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

## Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard

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## **Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority ("the FCA").**

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit

## **Responsibilities of the Manager**

As explained more fully in the Manager's responsibilities statement set out on page 24, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

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

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud.

The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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# Independent auditor's report to the unitholders of the PUTM Bothwell Euro Sovereign Fund

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Investment Management Association Statement of Recommended practice (the "IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrator and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

## Use of our report

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority.

Our audit work has been undertaken so that we might state to the unitholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders of the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP  
Statutory Auditor  
Edinburgh  
27 January 2023

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# Appendix

The Fund carried out stocklending activities for the purpose of efficient portfolio management and in order to generate income.

Revenue earned from these activities is shown in the Statement of Total Return.

## Global Data

### Amount of securities and commodities on loan

	% of total lendable assets*
Securities	4.54

### Amount of assets engaged in each type of SFT

Amount of assets	% of AUM
£1,679,557	4.38

\* Total lendable assets excludes cash and cash equivalents. It also excludes other monetary amounts such as net debtors and creditors which are not deemed 'lendable assets'.

## Concentration Data

### All collateral issuers (across all SFT)

Issuer	Collateral	
	Holding	Fair value £000
Government of Japan 0.5% 20/12/2040	303,100,000	1,764

### All counterparties

Counterparty	Gross volume of outstanding transactions
	Fair value £000
Citigroup Global Markets	1,680

# Appendix

## Aggregate Data

### Type and quality of collateral

Type	Quality*	Fair value £000
Bonds	Investment grade	1,764
		<b>1,764</b>

\* Quality of collateral has been interpreted as pertaining to bond instruments, which have been assessed and reported in accordance with whether they are considered investment grade, below investment grade or not-rated.

### Maturity tenor of collateral

Maturity	Fair value £000
Rolling Maturity	1,764
	<b>1,764</b>

### Currency of collateral

Currency	Fair value £000
Sterling	1,764
	<b>1,764</b>

### Maturity tenor of SFTs

Maturity	Fair value £000
Rolling Maturity	1,680
	<b>1,680</b>

### Country in which counterparties are established

#### Counterparty

All counterparties are UK based

### Return and cost

	Gross return £000	Cost £000	% of overall returns	Net return £000
Fund	2	–	82.00	2
		<b>2</b>	<b>–</b>	<b>2</b>

The gross earnings were split by the lending agent as follows:  
- 82% to the Lender (PUTM Bothwell Euro Sovereign Fund)  
- 8% to the Manager (Phoenix Unit Trust Managers Limited)  
- 10% retained by the Lending Agent (eSec)



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## Corporate information (unaudited)

The information in this report is designed to enable unitholders to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

Phoenix Unit Trust Managers Limited is part of the Phoenix Group.

Ignis Investment Services Limited is part of the Standard Life Aberdeen plc group and its subsidiaries.

Unit prices appear daily on our website [www.phoenixunittrust.co.uk](http://www.phoenixunittrust.co.uk).

Administration & Dealing: 0345 584 2803 (between the hours of 9am & 5pm).

### Remuneration

The Manager has adopted a remuneration policy, up-to-date details of which can be found on [www.phoenixunittrust.co.uk](http://www.phoenixunittrust.co.uk). This statement describes how remuneration and benefits are calculated and identifies the committee which oversees and controls this policy. A paper copy of these details can be requested free of charge from the Manager.

This statement fulfils Phoenix Unit Trust Managers Limited's ('the Manager') obligations as an authorised UK UCITS Manager in respect of compliance with the UCITS V Remuneration Code and contains relevant remuneration disclosures.

PUTM Unit Trusts are managed by Phoenix Unit Trust Managers Limited, which is a subsidiary of Phoenix Life Limited, part of The Phoenix Group plc ('the Group').

The Remuneration Committee ('the Committee') of the Group has established a Remuneration Policy which applies to all entities of the Group. The guiding principles of this policy ensure sound and effective risk management so as not to encourage risk-taking outside of the Group's risk appetite, and support management in the operation of their business through identification of minimum control standards and key controls. The Committee approves the list of UK UCITS Code Staff annually and identified UK UCITS Code Staff are annually notified of their status and the associated implications.

Further information on the Group Remuneration Policy can be found in the Group annual reports and accounts which can be found on [www.phoenixgroup.com](http://www.phoenixgroup.com).

The below table provides detail of remuneration provided, split between fixed and variable remuneration, for UK UCITS Code Staff (defined as all staff whose professional activities have material impact on the risk profiles of the fund it manages).

### As at 31 December 2021

	Headcount	Total remuneration
<b>Phoenix Unit Trust Managers</b>	2	90,655.88
of which		
Fixed Remuneration	2	59,744.92
Variable Remuneration	1	30,910.96
Carried Interest	n/a	
<b>Highest paid Director's Remuneration</b>		<b>40,843.47</b>

The Directors are employed by fellow entities of the Group. The total compensation paid to the Directors of the Manager is in respect of services to the Manager, irrespective of which entity within the Phoenix Group has paid the compensation.

Please note that due to the employment structure and resourcing practices of the Group, the staff indicated in this table may also provide services to other companies in the Group.

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## Corporate information (unaudited)

The table states the actual number of employees who are fully or partly involved in the activities of the Manager, no attempt has been made to apportion the time spent specifically in support of each fund as this data is not captured as part of the Manager's normal processes.

The remuneration disclosed is the total remuneration for the year and has been apportioned between the provisions of services to the Manager and not the Fund.

Total remuneration can include any of the following;

- Fixed pay and annual/long term incentive bonuses
- Where fixed pay is directly attributable to PUTM Unit Trusts (for example, fees for Phoenix Unit Trust Managers Limited), 100% of those fees
- For other individuals, pro-rated using the average AUM of PUTM Unit Trusts (as a proportion of the aggregate average AUM of The Phoenix Group plc) as proxy.

Senior Management includes – PUTM Board and PUTM Executive Committees.

Other Code Staff includes all other UCITS Code Staff not covered by the above.

### Assessment of Value

We are required to perform an annual assessment of the value for money for each unit class of PUTM Bothwell Bothwell Euro Sovereign Fund. This has been performed based on the information available as at 30 September 2022.

We have performed this review having regard to a wide range of factors. In doing so, we have made comparison with the other unit classes of the relevant fund, with the unit classes and sub-funds within our fund ranges and also with comparable unit classes and sub-funds in the rest of the market.

Broadly speaking, assessment of value requires consideration of a combination of factors, including the return achieved, the price paid, the risk taken and the quality and range of services provided by the asset manager. This also needs to be considered in the context of the investment objectives and policy for the Fund, the target investor and the recommended holding period.

In considering cost, regard needs to be had to the total cost of investing, including any adviser charges, platform charges, adviser fees and the on-going annual management charge. Regard also needs to be had to the degree of active management; as an investor, you would not be receiving value, if you were being charged fees for active portfolio management, where in fact, the Fund's composition of performance is staying very close to a benchmark. These factors also need to be considered in the context of the size of the portfolio and the ability of larger funds to benefit from economies of scale. As regards performance, it is important that performance is considered over an appropriate timescale given the Fund's objectives, and should be measured net of fees.

Based on our assessment of the value of each unit class, PUTM are comfortable that the Fund meets the required Assessment of Value criteria. No immediate action is required.

Further details of the Assessment of Value can be found at the following link:

<https://www.phoenixunittrust.co.uk/report-and-accounts.aspx>

### Risks

The price of units and the revenue from them can go down as well as up and investors may not get back the amount they invested, particularly in the case of early withdrawal. Tax levels and reliefs are those currently applicable and may change. The value of any tax relief depends on personal circumstances.

Management charges on some funds are charged to capital and therefore a reduction in capital may occur.

Depending on the fund, the value of your investment may change with currency movements.

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## Corporate information (unaudited)

### Manager

Phoenix Unit Trust Managers Limited (PUTM)  
1 Wythall Green Way  
Wythall  
Birmingham B47 6WG  
Tel: 0345 584 2803  
Registered in England – No.03588031  
Authorised and regulated by the Financial Conduct Authority.

### Directors

<b>Brid Meaney</b>	PUTM Director, Chief Executive Phoenix Life;
<b>Craig Baker</b>	PUTM Director, Head of Investment Management Phoenix Life;
<b>Timothy Harris</b>	Non Executive Director of PUTM;
<b>Nick Poyntz-Wright</b>	Non Executive Director of PUTM.

### Registrar and correspondence address

Phoenix Unit Trust Managers Limited  
Floor 1, 1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland  
Authorised and regulated by the Financial Conduct Authority.

### Investment Adviser

Ignis Investment Services Limited  
1 George Street  
Edinburgh EH2 2LL  
Registered in Scotland – No.SC101825  
Authorised and regulated by the Financial Conduct Authority.

### Trustee

HSBC Bank plc  
1-2 Lochside Way  
Edinburgh Park  
Edinburgh EH12 9DT  
Authorised by the Prudential Regulation Authority  
and regulated by the Financial Conduct Authority and the  
Prudential Regulation Authority.

### Independent Auditor

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

### Authorised status

This Fund is an Authorised Unit Trust scheme under  
section 243 of the Financial Services & Markets Act  
2000 and is categorised under the Collective Investment  
Schemes Sourcebook as a UK UCITS fund.

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# Notes

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# Notes



Contact: **Client Services**

Call: **0345 584 2803**

Correspondence Address: **Floor 1, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland**

Visit: **[phoenixunittrust.co.uk](http://phoenixunittrust.co.uk)**

Telephone calls may be monitored and/or recorded for the purposes of security, internal training, accurate account operation, internal customer monitoring and to improve the quality of service.

Please note the Key Investor Information Document (KIID), the Supplementary Information Document (SID) and the full prospectus are available free of charge. These are available by contacting Client Services on 0345 584 2803.

Phoenix Unit Trust Managers Limited does not accept liability for any claims or losses of any nature arising directly or indirectly from use of the data or material in this report. The information supplied is not intended to constitute investment, tax, legal or other advice.

Phoenix Unit Trust Managers Limited\* is a Phoenix Group Company. Registered in England No 3588031.  
Registered office: 1 Wythall Green Way, Wythall, Birmingham B47 6WG.

\*Authorised and regulated by the Financial Conduct Authority.